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ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
92642	CABLE	HONG KONG 18594 <i>R 6/21/2012 M299/1</i>	2	9/26/1984	B1
92643	CABLE	HONG KONG 18457 <i>R 6/21/2012 M299/1</i>	1	9/26/1984	B1
92644	PAPER	RE HONG KONG (PP. 4-5 ONLY) <i>PAR 12/20/2017 M299/1</i>	2	9/27/1984	B1 B3
92645	CABLE	HONG KONG 18694 <i>R 6/21/2012 M299/1</i>	4	9/27/1984	B1
92646	MEMO	ROBERT KIMMITT TO LAUX RE SEC. SHULTZ'S EVENING REPORT OF 9/27/84 <i>R 6/21/2012 M299/1</i>	1	9/28/1984	B1
92647	CABLE	BEIJING 18210 <i>R 6/21/2012 M299/1</i>	1	9/28/1984	B1
92649	DRAFT REPLY	TO PM THATCHER (ATTACHMENT TO 92648) <i>R 6/21/2012 M299/1</i>	3	9/29/1984	B1
92652	MESSAGE	PM THATCHER TO RR RE HONG KONG (SAME TEXT AS 92630) <i>R 6/21/2012 M299/1</i>	2	ND	B1
92653	CABLE	TAIPEI 05758 <i>R 6/21/2012 M299/1</i>	1	9/28/1984	B1

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92642

PAGE 01 AMCONSUL HONG KONG 8594 DTG: 261342Z SEP 84 PSN: 038985
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~~CONFIDENTIAL~~ SECTION 01 OF 02 HONG KONG 18594

E.O. 12356: N/A

TAGS: PREL, HK, CH, UK

SUBJECT: HONG KONG POISED TO WELCOME SINO-UK AGREEMENT

1. BEGIN SUMMARY. A QUICK SCAN OF THE JUST RELEASED AGREEMENT ON HONG KONG REVEALS NO SUBSTANTIVE SURPRISES. THOUGH SOME QUESTIONS AND CONCERNS MAY BE RAISED ON CONSTITUTIONAL STRUCTURE, NATIONALITY ISSUES AND THE PLA PRESENCE, THEY PROBABLY WILL NOT BE SERIOUS ENOUGH TO DETRACT SUBSTANTIVELY FROM THE POPULATION'S POSITIVE ACCEPTANCE OF THE AGREEMENT AS THE BEST OBTAINABLE UNDER EXISTING CIRCUMSTANCES AND MORE FAVORABLE THAN MOST EXPECTED. THE AGREEMENT FEATURES A DETAILED CHINESE COMMITMENT TO PRESERVING HONG KONG'S SYSTEMS AND WAY OF LIFE FOR FIFTY YEARS. THIS IS ACCOMPANIED BY A SPECIFIC CHINESE PLEDGE THAT "THE SOCIALIST SYSTEM AND SOCIALIST POLICIES SHALL NOT BE PRACTICED IN THE HONG KONG SPECIAL ADMINISTRATIVE REGION (HKSAR)." END SUMMARY.

2. THERE FOLLOWS OUR IMMEDIATE IMPRESSIONS OF THE JUST ANNOUNCED UK-PRC AGREEMENT ON HONG KONG. WE WILL FOLLOW THIS WITH A MORE DETAILED ANALYSIS.

3. THE AGREEMENT TRACKS WELL WITH OUR UNDERSTANDING OF THE NEGOTIATION DEVELOPMENTS OVER THE PAST MONTHS AND DOESN'T CONTAIN ANY SUBSTANTIVE SURPRISES. THE CHINESE COMMIT THEMSELVES IN CONSIDERABLE DETAIL TO PRESERVING HONG KONG'S PRESENT SYSTEM. THEY SPECIFICALLY ASSERT THAT THE "SOCIALIST SYSTEM AND SOCIALIST POLICIES SHALL NOT BE PRACTICED IN THE HKSAR." THEY ISOLATE THE SAR FROM PROVINCIAL INTERFERENCE BY PLACING IT DIRECTLY UNDER THE CENTRAL GOVERNMENT. ON CIVIL AVIATION AND LAND THE BRITS CAME OUT VERY WELL. CATHAY PACIFIC SHOULD HAVE NO PROBLEMS OPERATING UNDER THE TERMS OF THE AGREEMENT. IN AN INTRODUCTORY EXPLANATION THE BRITS AVOW THAT THE AGREEMENT IS "A FORMAL INTERNATIONAL AGREEMENT, LEGALLY BINDING IN ALL ITS PARTS." THEY HAVE TOLD US PRIVATELY THAT THE CHINESE ARE ON BOARD WITH THIS INTERPRETATION. ONE AREA

WHICH MAY PROVOKE SOME CONCERN IS THE VAGUENESS CONCERNING THE SELECTION OF THE EXECUTIVE WHO SHALL "BE APPOINTED BY THE CENTRAL PEOPLE'S GOVERNMENT ON THE BASIS OF THE RESULTS OF ELECTIONS OR CONSULTATIONS TO BE HELD LOCALLY." THIS COULD FAN FEARS OF BEHIND-THE-SCENES MANIPULATION BY BEIJING. QUESTIONS THAT MAY ARISE OVER OTHER ISSUES -- NATIONALITY AND THE PLA PRESENCE, FOR EXAMPLE, DO NOT APPEAR MAJOR. ON FOUR POINTS OF SPECIFIC INTEREST TO THE U.S., THE AGREEMENT PROVIDES FOR THE CONTINUATION OF CONSULAR REPRESENTATION, STIPULATES THAT VISITS BY WARSHIPS REQUIRE BEIJING'S PERMISSION, COMMITS BOTH GOVERNMENTS TO SEEK TO PRESERVE HONG KONG'S PARTICIPATION IN INTERNATIONAL ARRANGEMENTS SUCH AS GATT AND MFA AND MAKES NO MENTION OF TAIWAN.

4. MOST IMPORTANTLY, HONG KONG APPEARS PREDISPOSED TO A POSITIVE RESPONSE TO THE AGREEMENT. UNDERCURRENTS OF APPREHENSION REMAIN, BUT THERE IS FAR MORE RECEPTIVITY TO THE BASIC FRAMEWORK OF THE ACCORD THAN ANYONE FORESAW A YEAR AGO. RECONCILIATION AND COOPERATION HAVE BEEN THE ORDER OF THE DAY IN HONG KONG'S PRESS THIS WEEK. NEARLY ALL EDITORIALS AND COMMENTARIES HAVE CONCENTRATED ON THE NEED TO TRANSFORM THE LOFTY PROMISES CONTAINED IN THE AGREEMENT INTO CONCRETE REALITY. LOCAL PUNDITS BOTH PUBLICLY AND PRIVATELY PROFESS CONFIDENCE THAT HONG KONG WILL TAKE THE NEWS ABOUT ITS FUTURE IN ITS STRIDE. WE THINK IT LIKELY THAT HONG KONG'S FINANCIAL MARKETS WILL REACT FAVORABLY.

5. THE HONG KONG GOVERNMENT IS GEARED UP TO CONDUCT A MASSIVE MEDIA CAMPAIGN TO "SELL" THE CONTENTS OF THE AGREEMENT TO THE HONG KONG PEOPLE. BOTH IT AND XINHUA NEWS AGENCY (HONG KONG) HAVE ANNOUNCED PLANS FOR THE DISTRIBUTION OF SOME 1.25 MILLION COPIES OF THE AGREEMENT OVER THE NEXT FEW DAYS. AS PART OF THIS CAMPAIGN, THE GOVERNOR IN A SPEECH TO A SPECIAL LEGISLATIVE COUNCIL SESSION THIS EVENING COMMENDED THE AGREEMENT TO THE PEOPLE OF HONG KONG AS ONE THAT WOULD ALLOW THE TERRITORY TO CONTINUE TO FLOURISH. IN SOMEWHAT DISINGENUOUS FASHION THE GOVERNOR CALLED ON THE PEOPLE OF HONG KONG TO "COME FORWARD WITH THEIR VIEWS," INSISTING THAT IT WAS VITAL FOR PARLIAMENT TO HAVE THEIR VIEWS. THE WHITE PAPER ON THE AGREEMENT, HOWEVER, MAKES IT CLEAR THAT THE AGREEMENT

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BY KML NARA DATE 6/21/12

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~~CONFIDENTIAL~~ SECTION 02 OF 02 HONG KONG 18594

E. O. 12356: N/A
TAGS: PREL, HK, CH, UK
SUBJECT: HONG KONG POISED TO WELCOME SINO-UK AGREEMENT
IS A TAKE IT OR LEAVE IT PROPOSITION NOT SUBJECT TO
AMENDMENT AND IF THE PEOPLE OF HONG KONG OR THE
PARLIAMENT REJECT IT, THEN THE ALTERNATIVE IS A
UNILATERAL CHINESE ARRANGEMENT FOR THE TERRITORY'S FUTURE.
-

6. WE EXPECT THAT THE UNOFFICIAL MEMBERS OF HONG KONG'S
EXECUTIVE AND LEGISLATIVE COUNCILS (UMELCO) WILL PLAY
A MAJOR ROLE IN THIS EFFORT, COMMENDING THE AGREEMENT
TO THE HONG KONG PEOPLE. LEGCO MEMBER CHAN YING-LUN
DESCRIBED THE ACCORD AS "BETTER THAN EXPECTED" AND
"CONTAINING NEARLY EVERYTHING WE WANT." EXCO MEMBER
MARIA TAM ALSO SPOKE GLOWINGLY ABOUT THE AGREEMENT,
ALTHOUGH SHE WAS QUICK TO POINT OUT THERE IS MUCH WORK
TO DO TO MAKE IT WORK.

7. THE DEPARTMENT MAY WISH TO PASS THIS MESSAGE TO
OTHER INTERESTED POSTS.
LEVIN
BT

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PAGE 01
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LIMITED OFFICIAL USE HONG KONG 18457
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E.O. 12356: N/A
TAGS: PREL, PGOV, CH, HK, US, JA
SUBJECT: JAPANESE STATEMENT ON UK-PRC AGREEMENT ON
HONG KONG

1. ACCORDING TO A SENIOR MEMBER OF THE JAPANESE CON-
SULATE GENERAL STAFF HERE, THE FOLLOWING IS THE TEXT OF
THE STATEMENT WHICH THE JAPANESE GOVERNMENT WILL RELEASE
WEDNESDAY, SEPTEMBER 26 IMMEDIATELY AFTER THE CONCLUSION
OF THE SINO-UK AGREEMENT INITIALING CEREMONY HELD IN
BEIJING.

2. BEGIN TEXT:
STATEMENT BY THE ACTING MINISTER FOR FOREIGN AFFAIRS OF
THE JAPANESE GOVERNMENT
THE GOVERNMENT OF JAPAN CONSIDERS THAT THE MAINTENANCE OF
PROSPERITY AND STABILITY IN HONG KONG IS BENEFICIAL TO
ASIA AND TO THE INTERNATIONAL COMMUNITY AS A WHOLE AND
HAS OBSERVED WITH KEEN INTEREST THE PROGRESS OF NEGOTIA-
TIONS BETWEEN THE GOVERNMENT OF THE PEOPLE'S REPUBLIC OF
CHINA AND THE GOVERNMENT OF THE UNITED KINGDOM ON THE
FUTURE OF HONG KONG.
IT WELCOMES THEREFORE THAT THE NEGOTIATIONS HAVE BEEN
COMPLETED AND THE AGREED DOCUMENTS INITIALED TODAY AND
PAYS RESPECT TO THE EFFORTS MADE BY THE GOVERNMENTS OF
THE TWO COUNTRIES.
IT IS SINCERELY HOPED THAT THE AGREEMENT WILL BE A CON-
STRUCTIVE STEP TOWARDS THE FUTURE OF HONG KONG.
END TEXT.
LEVIN
BT

File = HK
Note Japanese restraint
Gas for
Japanese statement on HK
- bland
- more reserved than ours.
DL

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NLRR M299 #92643

BY KML NARA DATE 6/21/12

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SECRET

CIA - 27 Sept. 1984

File = NK

STAFF NOTE:

Beijing Shakes Up Its Hierarchy in Hong Kong

With the Hong Kong agreement imminent, Beijing has been upgrading its personnel at three of its representative agencies in the colony--The Bank of China, Xinhua and People's Daily--in an effort to gain greater influence and support in Hong Kong.

According to press reports in Hong Kong, Zhang Xueyao arrived in the colony on 11 September to become the new general manager of the Bank of China's Hong Kong branch. An experienced banker, Zhang previously set up the Bank of China's New York office and was its first general manager. Zhang also served at the Chinese embassy in Washington in 1980-81, where he was involved in negotiating the recovery of Chinese assets frozen from 1950 until normalization. Zhang's predecessor in Hong Kong, Jiang Wengui, will remain in a senior position in the bank's Hong Kong operations. Zhang's appointment seems to indicate Beijing's desire to have its senior banker in Hong Kong be an individual capable of working closely with the territory's international financial community.

The staff of China's Xinhua news agency in Hong Kong is being reshuffled in line with Beijing's bureaucratic rejuvenation guidelines. Several veteran Hong Kong cadres are being replaced by younger officials, some locally recruited. Most notably among those being removed is Qi Feng, who has served with the Xinhua bureau for 28 years, and was a guerilla commander in Shenzhen before 1949. The agency's ranking deputy director, Li Jusheng, who is in his mid-70s and is currently a member of the Chinese negotiating team to the Hong Kong talks, is expected to resign his position to become a member of the Sino-British joint liaison group to be set up in Hong Kong next year. Two experienced local employees, both in their mid-40s, will be promoted to the position of Assistant to the Director, according to press reporting.

As Beijing's senior representative office in Hong Kong, Xinhua has traditionally served as "Beijing's embassy" in the colony. In a recent interview, Xinhua's director in Hong Kong, Xu Jialun, confirmed that the reshuffle is designed to promote younger and better educated officials, particularly Hong Kong natives. Undoubtedly, these moves are primarily aimed at improving Xinhua's image in Hong Kong so that it can broaden the limited support Beijing has among the territory's residents.

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4 BY PW NARA DATE 12/20/17

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~~SECRET~~ [REDACTED]

Beijing is even upgrading its traditionally weak People's Daily bureau in Hong Kong, presumably to improve the coverage of events in the colony as the transition begins. Although the bureau will remain a one-man operation because of the large Xinhua office, the US Embassy in Beijing has learned that Yuan Xianlu, currently the international editor of People's Daily, will soon be posted to Hong Kong. Yuan, who was the People's Daily Washington correspondent from 1981 to 1983, reportedly speaks excellent English and has an assertive personality. Beijing will be anxious to herald the Hong Kong accord in strongly nationalistic terms at home. Yuan is also likely to be tasked with describing how "smoothly" Hong Kong is adapting to its eventual change in status. To a large extent, Yuan will be responsible for explaining how Hong Kong functions to the uninformed domestic Chinese audience. [REDACTED]

Sources:

1. Hong Kong 18154 (C) 20 September 1984
 2. Beijing 17595 (C) 21 September 1984
 3. Press/Background and Analysis
- [REDACTED]

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VERY HARD, DREW LITTLE ATTENTION IN THE PRESS.

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5. THE ONLY TRULY DISCORDANT NOTE WAS FROM TAIWAN.
MOST PAPERS REPORTED THAT TAIWAN REFUSED TO
RECOGNIZE THE AGREEMENT, BUT FEW PROVIDED ANY
SYMPATHETIC COMMENTS. PRICE
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~~CONFIDENTIAL~~ LONDON 21433

E.O. 12356: DECL: OADR
TAGS: SCOM, HK, CH, UK
SUBJECT: LONDON MEDIA REACTION TO HONG KONG AGREEMENT

1. ~~(CONFIDENTIAL ENTIRE TEXT.)~~

2. THE HONG KONG AGREEMENT DOMINATED THE LONDON
PRESS 27 SEPTEMBER. PHOTOGRAPHS OF SIR RICHARD
EVANS AND ZHOU NAN TOASTING EACH OTHER WITH
CHAMPAGNE WERE FEATURED PROMINENTLY ON THE FRONT
PAGES OF MAJOR PAPERS. THE TIMES PUBLISHED THE
FULL TEXT OF THE JOINT DECLARATION AND EXCERPTS
FROM THE ANNEXES COMPLETE WITH A PHOTOGRAPH OF
THE FCO NEGOTIATING TEAM.

3. NOT SURPRISINGLY, THE REACTION TO THE AGREEMENT
WAS OVERWHELMINGLY POSITIVE. HEADLINES SUCH AS
"HONG KONG DEAL IS A TRIUMPH," "CHORUS OF PRAISE
GREET HONG KONG DEAL" WERE COMMON. REPORTS OF
REACTIONS FROM VARIOUS INTERESTED GROUPS --
POLITICIANS OF ALL STRIPES, BUSINESSMEN, OTHER
GOVERNMENTS -- WERE AS POSITIVE AS THE EDITORIAL
COMMENT.

4. THE MAIN THEMES IN THE MEDIA INCLUDED:
-- THE AGREEMENT IS A DIPLOMATIC TRIUMPH FOR THE
GOVERNMENT.
-- THE KEY ASPECT OF THE AGREEMENT IS THE PRESERVATION
OF THE WAY OF LIFE IN HONG KONG, SUMMED UP BY THE
PHRASE "THE SOCIALIST SYSTEM AND SOCIALIST POLICIES
SHALL NOT BE PRACTICED IN THE REGION, AND HONG KONG'S
CAPITALIST SYSTEM AND LIFESTYLE SHALL REMAIN UNCHANGED
FOR 50 YEARS."

-- THE LENGTH AND LEVEL OF DETAIL IN THE AGREEMENT
IS SURPRISING AND ENCOURAGING.
-- THE AGREEMENT MUST BE RECOGNIZED FOR WHAT IT
IS -- NEGOTIATED SURRENDER -- BUT UNDER THE
CIRCUMSTANCES IT WAS THE BEST THAT COULD BE
ACHIEVED.
-- TIME WILL TELL HOW WELL THE AGREEMENT WORKS;
MUCH DEPENDS ON THE FUTURE CHINESE LEADERSHIP.
IT WAS INTERESTING THAT THE FACT THAT THE AGREEMENT
IS LEGALLY BINDING UNDER INTERNATIONAL LAW, A
POINT FOR WHICH THE BRITISH NEGOTIATORS FOUGHT

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~~CONFIDENTIAL~~ SECTION 01 OF 04 HONG KONG 18694

E.O. 12356: DECL: OADR
TAGS : PREL, UK, CH, HK
SUBJECT : DETAILED LOOK AT THE SINO-UK AGREEMENT
ON HONG KONG'S FUTURE
REF : A) HONG KONG 18594 (NOTAL);
B) HONG KONG 14447

2. SUMMARY: AFTER A MORE CAREFUL REVIEW OF THE SINO-UK AGREEMENT ON HONG KONG, OUR IMPRESSION IS THAT BOTH THE BRITISH AND THE CHINESE HAVE DONE AN ADMIRABLE JOB IN DEVELOPING ARRANGEMENTS THAT PROVIDE A GOOD FRAMEWORK FOR THE MAINTENANCE OF AN ESSENTIALLY UNCHANGED HONG KONG AFTER 1997. WE, TOGETHER WITH OUR LOCAL CONTACTS, ARE PARTICULARLY STRUCK BY THE DETAIL CONTAINED IN THE AGREEMENT. THE SKILL AND DETERMINATION OF THE BRITISH NEGOTIATORS IN ACHIEVING THIS PUTS TO REST SUSPICIONS THAT THE BRITISH WERE MERELY SEEKING A GRACEFUL EXIT FROM HONG KONG. IN REVERSING THEIR EARLIER STAND AND BINDING THEMSELVES TO COMPREHENSIVE, DETAILED ARRANGEMENTS FOR POST-1997, THE CHINESE DEMONSTRATED THE IMPORTANCE THEY PLACE ON MAINTAINING HONG KONG'S STABILITY AND PROSPERITY. TO DATE, SURPRISINGLY ALMOST NO PUBLIC ATTENTION HAS BEEN GIVEN TO A COUPLE OF LOOSE ENDS IN THE AGREEMENT, I.E. THE SELECTION OF THE CHIEF EXECUTIVE FOLLOWING 1997 AND THE POSSIBILITY THAT THE PROMISED PRC-AUTHORED BASIC LAW FOR THE TERRITORY COULD INVALIDATE SOME OF THE PRE-1997 LAWS. THE BRITISH PROFESS NO GREAT CONCERN ON THESE POINTS. THERE FOLLOWS AN ANALYSIS OF THE ESSENTIAL FEATURES OF THE CORE ELEMENTS OF THE WHITE PAPER (THE JOINT DECLARATION, THE THREE ANNEXES AND THE MEMORANDA). END SUMMARY.

3. CONSTITUTIONAL ARRANGEMENTS AND GOVERNMENT STRUCTURE. THE HKSAR WILL ENJOY A HIGH DEGREE OF AUTONOMY, EXCEPT IN THE AREAS OF DEFENSE AND FOREIGN AFFAIRS. IT WILL BE "VESTED WITH EXECUTIVE, LEGISLATIVE AND INDEPENDENT JUDICIAL POWER". THE VAGUENESS IN THE SELECTION PROCEDURE FOR THE SAR CHIEF EXECUTIVE - TO BE ELECTED LOCALLY OR SELECTED THROUGH LOCAL CONSULTATIONS - IS SOMEWHAT MITIGATED BY THE STIPULATIONS THAT THE HKSAR LEGISLATURE "SHALL BE CONSTITUTED BY ELECTIONS" AND THAT "THE EXECUTIVE AUTHORITIES . . . SHALL BE ACCOUNTABLE TO THE LEGISLATURE". HKG POLITICAL ADVISOR ROBIN MCLAREN TOLD THE CG THAT THE CHINESE INSISTED ON VAGUENESS ON THE CHIEF EXECUTIVE ISSUE BECAUSE THEY WERE UNCERTAIN OF HOW FAR THE BRITISH INTEND TO GO IN INTRODUCING A GREATER REPRESENTATIONAL CHARACTER TO THE HONG KONG GOVERNMENT IN THE NEXT 13 YEARS. THEY WANTED LEEWAY IN DEALING WITH AN EVOLVING SITUATION. MCLAREN OBSERVED THAT MOVEMENT IN THAT DIRECTION WOULD BE GENTLE AND EXPRESSED CONFIDENCE THAT THE BRITS AND CHINESE WOULD HAVE NO PROBLEM IN WORKING OUT A SATISFACTORY SELECTION PROCESS.

4. THE LAWS. CHINA PLEDGES THAT THE HKSAR'S BASIC LAW WILL INCORPORATE THE POLICIES SET FORTH IN THE JOINT DECLARATION AND ANNEX I. IN ADDITION, IN A PHRASE THE BRITS HOPE WILL SHIELD HONG KONG FROM CHINA'S WEAK LEGAL TRADITION, THE CHINESE STIPULATE THAT "THE LAWS PREVIOUSLY IN FORCE IN HONG KONG (I.E. THE COMMON LAW, RULES OF EQUITY, ORDINANCES, SUBORDINATE LEGISLATION AND CUSTOMARY LAW) SHALL BE MAINTAINED." LAWS THAT "CONTRAVENE THE BASIC LAW" WILL BE CONSIDERED INVALID, WHICH MAY RAISE LOCAL EYEBROWS. MCLAREN EXPLAINED THAT THIS PHRASE'S GENESIS LIES IN BEIJING'S CONCERNS ABOUT EXISTING "COLONIAL" REFERENCES IN HONG KONG'S LAWS. INITIALLY, THE CHINESE SOUGHT LANGUAGE VOIDING LAWS "DETRIMENTAL TO CHINESE SOVEREIGNTY." THE BRITISH DEMURRED, CONTENDING SUCH LANGUAGE WOULD BE TOO SWEEPING. IN ANY EVENT, THE HKG PLANS TO SCRUB AS MANY OF THE "COLONIAL" REFERENCES AS POSSIBLE BEFORE 1997. THE BRITS DO NOT SEE THIS PARTICULAR CLAUSE AS A THREAT TO THE SAFEGUARDS PROVIDED FOR THE CONTINUATION OF VIRTUALLY THE ENTIRE BODY OF PRE-1997 LAW INTO THE FUTURE.

5. JUDICIAL SYSTEM. A REAL SUCCESS STORY. ALL ELEMENTS BT

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~~CONFIDENTIAL~~ SECTION 02 OF 04 HONG KONG 18694

E.O. 12356: DECL: OADR

TAGS : PREL, UK, CH, HK

SUBJECT : DETAILED LOOK AT THE SINO-UK AGREEMENT
ON HONG KONG'S FUTURE

REF : A) HONG KONG 18594 (NOTAL);
B) HONG KONG 14447

OF THE BRITISH JUDICIAL SYSTEM ARE GUARANTEED IN GREAT SPECIFICITY. THE CHINESE ALSO ASSERT THAT EXPATRIATE JUDGES AND LAWYERS WILL BE ALLOWED. IN ADDITION, A COURT OF FINAL APPEAL WILL BE ESTABLISHED IN THE HKSAR, THUS SEVERING THE CURRENT BUT SELDOM RESORTED TO DEPENDENCE ON LONDON'S PRIVY COUNCIL.

6. CIVIL SERVICE. EXISTING CONDITIONS OF EMPLOYMENT AND PAY WILL CONTINUE UNDER THE HKSAR. THE CHINESE ALSO PLEDGE THAT THE HKSAR GOVERNMENT WILL HONOR ALL PRE- AND POST-1997 PENSION OBLIGATIONS. CONTINUED EMPLOYMENT OF EXPATRIATES IS PROVIDED FOR "... EXCEPT AS HEADS OF MAJOR GOVERNMENT DEPARTMENTS, AND AS DEPUTY HEADS OF SOME OF THESE DEPARTMENTS". HOWEVER, BEIJING APPARENTLY INTENDS TO CURTAIL THE HKG'S CURRENT PRACTICE OF OVERSEAS RECRUITMENT. THE AGREEMENT SPECIFIES THAT NON-RESIDENTS MAY ONLY BE RECRUITED FOR "PROFESSIONAL AND TECHNICAL POSTS". INTERESTINGLY, THE AGREEMENT LEAVES OPEN THE POSSIBILITY OF RECRUITMENT OF AMERICANS AND OTHER FOREIGNERS, SOMETHING NOW PROHIBITED BY THE HKG'S POLICY OF RECRUITING ONLY COMMONWEALTH EXPATRIATES.

7. DEFENSE AND PUBLIC ORDER. LOCALS ARE LIKELY TO BE HEARTENED BY THE FACT THAT THE PLA TROOPS TO BE STATIONED

HERE FOR PURPOSES OF DEFENSE ARE SPECIFICALLY ENJOINED FROM INTERFERING IN THE HKSAR'S INTERNAL AFFAIRS. FURTHERMORE, THE AGREEMENT STATES THAT THE MAINTENANCE OF PUBLIC ORDER IS THE RESPONSIBILITY OF THE HKSAR GOVERNMENT.

8. RIGHTS AND FREEDOMS. THE CHINESE PROMISED THAT THE PROVISIONS OF THE 1976 UNITED NATIONS' INTERNATIONAL COVENANTS ON CIVIL AND POLITICAL RIGHTS AND ON ECONOMIC, SOCIAL AND CULTURAL RIGHTS WILL CONTINUE TO APPLY HERE AFTER 1997. TAKING INTO ACCOUNT PARTICULAR CONCERNS HERE, SPECIFIC MENTION IS MADE OF THE CONTINUED RIGHTS OF HONG KONG PEOPLE TO DECIDE HOW MANY CHILDREN TO HAVE AND TO MAINTAIN RELATIONS WITH "RELIGIOUS INSTITUTIONS AND BELIEVERS ELSEWHERE".

9. RIGHT OF ABODE AND TRAVEL DOCUMENTATION. THE CHINESE GUARANTEE THE RIGHT OF ABODE TO ALL CHINESE NATIONALS (READ ETHNIC CHINESE) AND "OTHER PERSONS" WHO HAVE LIVED CONTINUOUSLY IN HONG KONG FOR SEVEN YEARS. IN ADDITION, ANY OTHER HONG KONG RESIDENT WHO DOES NOT ENJOY THE RIGHT OF ABODE ELSEWHERE BEFORE JULY 1, 1997 WILL BE GUARANTEED THE RIGHT TO ABODE IN THE HKSAR. THE AGREEMENT SPECIFIES BT

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

NATIONAL SECURITY COUNCIL SECRETARIAT

PAGE 01 AMCONSUL HONG KONG 8694 DTG: 271355Z SEP 84 PSN: 041753
EOB935 AN003535 TOR: 271/1600Z CSN: HCE015

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~~CONFIDENTIAL~~ SECTION 03 OF 04 HONG KONG 18694

E.O. 12356: DECL: OADR

TAGS : PREL, UK, CH, HK

SUBJECT : DETAILED LOOK AT THE SINO-UK AGREEMENT

- ON HONG KONG'S FUTURE

REF : A) HONG KONG 18594 (NOTAL);

- B) HONG KONG 14447

THAT ONLY CHINESE NATIONALS WILL BE ISSUED PASSPORTS. OTHER LEGAL RESIDENTS WILL BE ELIGIBLE TO RECEIVE A "TRAVEL DOCUMENT". THIS DISTINCTION MAY WORRY SOME OF HONG KONG'S LONG-TIME RESIDENT PORTUGUESE, INDIANS AND SOUTHEAST ASIANS.

10. FREE PORT STATUS. CHINA COMMITS ITSELF TO MAINTAINING HONG KONG'S STATUS AS A FREE PORT, INCLUDING FREE MOVEMENT OF GOODS AND CAPITAL. IT SPECIFIES THAT "NO EXCHANGE CONTROL POLICY SHALL BE APPLIED IN THE HONG KONG SAR."

11. CUSTOMS TERRITORY. THE AGREEMENT SPECIFIES THAT HONG KONG SAR WILL BE A SEPARATE CUSTOMS TERRITORY. (SUCH A STATUS IS A SINE QUA NON FOR HONG KONG'S CONTINUED PARTICIPATION IN SUCH INTERNATIONAL TRADE ARRANGEMENTS AS THE TEXTILE QUOTA SYSTEM, EXPORT CONTROL LICENSING, AND DEVELOPING COUNTRY PREFERENCES.)

12. MONEY AND FINANCE. THE HONG KONG SAR IS GRANTED THE RIGHT TO ISSUE ITS OWN CURRENCY (PROBABLY BY LOCAL BANKS DESIGNATED BY THE SAR), LOCAL CURRENCY IS TO REMAIN FREELY CONVERTIBLE, AND HONG KONG IS TO RETAIN CONTROL

13. INTERNATIONAL ECONOMIC AGREEMENTS. THE AGREEMENT ALLOWS HONG KONG TO CONTINUE AUTONOMOUS PARTICIPATION IN INTERNATIONAL ECONOMIC AGREEMENTS (SUCH AS THE GATT, TEXTILE TRADE ARRANGEMENTS, TELECOMMUNICATIONS AND POSTAL UNIONS, ETC.) UNDER THE NAME "HONG KONG, CHINA." THIS PARTICIPATION CAN INCLUDE AGREEMENTS/ORGANIZATIONS OF WHICH THE PRC IS NOT A MEMBER. CHINA AND THE UK AGREE TO COORDINATE THEIR ACTIONS TO ENABLE HONG KONG TO MAINTAIN ITS AUTONOMOUS INTERNATIONAL LINKS. THE GATT AND MULTI-FIBER ARRANGEMENT ARE MENTIONED SPECIFICALLY.

14. CIVIL AVIATION. THE AGREEMENT STRIKES A COMPROMISE IN THIS AREA. CHINA WILL RETAIN NEGOTIATING RESPONSIBILITY FOR ANY AIR SERVICES TOUCHING OTHER POINTS IN CHINA. HONG KONG WILL HAVE RESPONSIBILITY FOR NEGOTIATING AGREEMENTS OR "ARRANGEMENTS" FOR AIR SERVICES TO OTHER POINTS THAT DO NOT ORIGINATE IN OR CONTINUE ON TO CHINA, BUT THIS RESPONSIBILITY WILL BE EXERCISED ONLY UNDER SPECIFIC AUTHORIZATIONS FROM THE CENTRAL GOVERNMENT. IN PRACTICE, THIS COMPROMISE SHOULD ALLOW HONG KONG SOME AUTONOMY FROM DAY-TO-DAY INTERFERENCE BY CHINA, BUT WILL GIVE CHINA A VETO POWER OVER HONG KONG'S AIR CONNECTIONS. BT

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

10

NATIONAL SECURITY COUNCIL SECRETARIAT

PAGE 01 AMCONSUL HONG KONG 8694 DTG: 271355Z SEP 84 PSN: 041760
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AMEMBASSY CANBERRA 2379

AMEMBASSY WELLINGTON 1877

AMEMBASSY LISBON 0545

~~CONFIDENTIAL~~ SECTION 04 OF 04 HONG KONG 18694

E.O. 12356: DECL: OADR

TAGS : PREL, UK, CH, HK

SUBJECT : DETAILED LOOK AT THE SINO-UK AGREEMENT
ON HONG KONG'S FUTURE

REF : A) HONG KONG 18594 (NOTAL);

B) HONG KONG 14447

(THE U.S. MAY HAVE TO DEAL WITH CHINA'S CONCERNS AND INTERESTS AS WELL AS THOSE OF HONG KONG IN FUTURE NEGOTIATIONS RELATING TO THE TERRITORY.) THE AGREEMENT'S LANGUAGE ALLOWING HONG KONG TO CONCLUDE "ARRANGEMENTS" IN LIEU OF AIR SERVICE AGREEMENTS WITH A FOREIGN STATE "OR OTHER REGION" IS READ BY THE BRITS AS ALLOWING FOR THE POSSIBILITY OF CONTINUED FLIGHTS FROM TAIWAN TO HONG KONG, ALTHOUGH THEY ASSERT THAT THE ISSUE OF TAIWAN'S AIR ACCESS TO HONG KONG DID NOT COME UP IN THE NEGOTIATIONS.

15. LABOR. CHINA GRANTS HONG KONG RESIDENTS THE RIGHT TO FORM AND JOIN TRADE UNIONS AND THE RIGHT TO STRIKE, AMONG OTHER PERSONAL FREEDOMS.

16. NATIONALITY. THE TWO SIDES USED AN EXCHANGE OF MEMORANDA TO BRIDGE THEIR DIFFERENCES ON THE NATIONALITY QUESTION. ALTHOUGH THE BRITS DID WELL IN PRESERVING A DISTINCTIVE IDENTITY FOR BRITISH TERRITORY DEPENDENT CITIZENS, INCLUDING ALL THOSE BORN UP UNTIL JUNE 30, 1997, THEIR FAILURE TO OBTAIN TRANSMITTABILITY FOR ONE GENERATION WILL COME AS A DISAPPOINTMENT TO MANY HERE.

17. COPIES OF THE WHITE PAPER HAVE BEEN POUCHED TO THE

~~CONFIDENTIAL~~

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

92646
File = HK
Sept 28, 1984

MEMORANDUM FOR:

David Sans

FROM: ROBERT M. KIMMITT

SUBJECT: Secretary Shultz's Evening Report of: Sept 27, 1984

The following excerpt is for your information only. Please do not refer to it in any discussions.

3. UK and PRC Initial Agreement on Hong Kong's Future.
Both the British and Chinese are pleased with Secretary Shultz's statement (made at British request) welcoming the agreement on Hong Kong's future. Chinese Foreign Minister Wu indicated his pleasure with the statement during his meeting with Secretary Shultz in New York yesterday. Initial indications in Hong Kong suggest an upbeat response to initialing of the agreement. Beijing has acted swiftly to describe the agreement as a precedent for reunification with Taiwan. Taiwan's reaction to the agreement is skeptical.

DECLASSIFIED

NLRR M299 #92646

BY kml NARA DATE 6/26/12

~~SECRET~~

92647

12

NATIONAL SECURITY COUNCIL
SECRETARIAT

PAGE 01
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E.O. 12356: DECL: OADR
TAGS: PREL, PBTS, CH, HK, UK
SUBJECT: BRITISH NEGOTIATIONS OVER HONG KONG

File = HK

1. SECRET - ENTIRE TEXT.

2. BRITISH AMB SIR RICHARD EVANS CALLED AMB HUMMEL AND ALSO AMBS OF CANADA AND NEW ZEALAND (AUSTRALIA TO COME LATER) FOR PRIVATE BRIEFING OF "THOSE COUNTRIES WHOM WE HAVE KEPT CLOSELY INFORMED ON A VERY PRIVATE BASIS CONCERNING OUR NEGOTIATIONS OVER HONG KONG." BRIEFING PRODUCED NO SURPRISES, ALTHOUGH WE WILL BE FOLLOWING UP WITH MORE OPEN EMBASSY MESSAGE ABOUT BRIT VIEWS ON DECISION-MAKING PERSONS IN THE PRC AND SOME OTHER ASPECTS OF THE NEGOTIATIONS THAT GIVE VIEWS OF PRC INTERNAL AFFAIRS.

3. EVANS DID MAKE ONE POINT THAT IS NEW TO US THAT HE ASKED BE REPORTED IN THIS PRIVATE CHANNEL ONLY. THAT IS, BRIT INTENTION TO REGISTER THIS AGREEMENT WITH THE UN AS A BINDING INTERNATIONAL AGREEMENT, AFTER ALL PROCEDURES HAVE BEEN COMPLETED, INCLUDING ENTRY INTO FORCE, SOME TIME NEXT YEAR. THEY EXPECT THE PRC, WHICH IS VERY LEERY ON THIS POINT, TO OBJECT STRONGLY, AND HOPE THE BRIT INTENTION CAN BE KEPT CONFIDENTIAL UNTIL AFTER IT IS ACCOMPLISHED.
HUMMEL
BT

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NLRR M299 #92647

BY ICML NARA DATE 6/21/12

~~SECRET~~



~~SECRET~~

United States Department of State

Washington, D.C. 20520

MEMORANDUM FOR MR. ROBERT C. MCFARLANE
THE WHITE HOUSE

Subject: The President's Reply to PM Thatcher's Letter on
Hong Kong

I am forwarding a suggested draft reply to Mrs. Thatcher's communication to the President last week. The Department's draft suggests that the President congratulate Mrs. Thatcher on the historic UK-PRC agreement on Hong Kong's future and express his pleasure at the warm reception to Secretary Shultz' supportive statement welcoming the agreement. The Department's draft is predicated on the assumption that this is private correspondence between the President and the Prime Minister and will be treated confidentially.

Charles Hill
Executive Secretary

Attachments:

1. Suggested Reply to PM Thatcher's letter to the President

DECLASSIFIED
Authority NLSF96-107-4292 SMT
BY CJ NARA DATE 6/11/06 9/4/06

~~SECRET~~

DECLASSIFIED

~~SECRET~~

92649

14

NLRR M299 # 92649

BY KMI NARA DATE 6/21/12

SUGGESTED REPLY

Dear Margaret:

*We hope you found
George Shultz's statement
helpful.*

Thank you for sharing your personal thoughts with me on the Hong Kong agreement intialled in Beijing on September 26.

~~I trust you found the statement made by George Shultz 2 on the agreement. I was pleased that we could be forthcoming in response to your~~

~~request for an expression of confidence in Hong Kong's enduring prosperity. It was gratifying to see the warm response which by American businessmen appeared to reflect confidence in Hong Kong's~~

~~greeted the US statement. During the recent US bilateral meeting with Foreign Minister Wu in New York, he personally~~
Wu paid tribute to
~~commended both you and Secretary of State Howe for the vision and statesmanship you displayed in these negotiations.~~
the way conducted

~~I share your conviction that it is important that the agreement work,~~
I share your conviction that it is important that the agreement work,
~~I share your belief that the agreement has implications for~~
long-term
~~Western relations with China beyond Hong Kong itself. I also~~
the development of

~~share your desire to strengthen ties between China and the West through patient diplomacy. The unique establishment of Hong~~

~~Kong as a Special Administrative Region under Chinese sovereignty will surely strengthen the hand of those who want to increase China's receptivity to Western investment and knowledge. I am convinced that the agreement will allow Hong Kong to continue to play its role in the international community as a bastion of free trade.~~

I am heartened by your conviction that the agreement secures the major principles your government sought, and I hope that it will be accepted with similar confidence by the people of Hong Kong.

~~SECRET~~

15

~~SECRET~~

- 2 -

As you ^{know} ~~are aware,~~ there is a substantial American commercial presence in Hong Kong. The US statement of confidence in Hong Kong's ^{continuing} ~~enduring~~ prosperity expressed both our assessment of the situation and our desire to reinforce ~~the~~ ^{your} ~~British~~ objective of preserving the survival of the ^{free enterprise} ~~capitalist~~ system there. ~~[It was encouraging to see additional positive statements coming from businessmen in Hong Kong in response to the successful conclusion of negotiations. As was predicted before HMG initialled this agreement, businessmen are now speaking with increased confidence of their future in Hong Kong.]~~ ~~[We believe]~~ that U.S. investment and trade with Hong Kong will continue on an upward trend in the years to come.

In this regard, we hope

Sincerely,

PP Thank you for keeping us so well informed on this important question.

~~SECRET~~

16

President's Response to PM Thatcher on Hong Kong

Drafted: EAP/C - JKeith *JK*
w6267E 9/29/84 632-1322

Clearance: EAP/C - DWKeyser, DMAAnderson *DMA JK*
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DEPARTMENT OF STATE
EXECUTIVE SECRETARIAT

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☒ STATE TO NSC MEMO
☐ STATE TO OVP MEMO
☐ STATE TRANSMITTAL FORM
TO NSC _____ OVP _____

☒ with Draft reply for signature
by President
☐ with Comment or Recommendation
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☐ DIRECT REPLY ON BEHALF OF _____
FOR SIGNATURE BY _____

☐ provide info copy under cover
of State-NSC transmittal form

☐ REPLY FOR SIGNATURE
BY _____

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for _____

☐ RECOMMENDATION FOR _____
_____ with Memorandum for the President

☐ UNDER COVER OF AN ACTION MEMO
_____ with reply for signature

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84
SEP 27
MO 12

FROM:

Donna Deiban

S/S-S
TEAM:

(A)

632-1522

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632-8338

C-

632-8062

REFERRAL

DATE: 26 SEP 84

MEMORANDUM FOR: STATE SECRETARIAT

DEPARTMENT OF STATE

DOCUMENT DESCRIPTION:

TO: PRESIDENT

SOURCE: THATCHER, MARGARET

DATE: 24 SEP 84

KEYWORDS: GREAT BRITAIN

CHINA P R

HONG KONG


HS

SUBJ: THATCHER LTR RE HONG KONG AGREEMENT W/ CHINA

REQUIRED ACTION: RECOMMENDATIONS / DRAFT REPLY

DUE DATE: 03 OCT 84

COMMENTS:


FOR ROBERT M. KIMMITT

EXECUTIVE SECRETARY

Received in S/S-1
9/26/84 - 10:47 p.m.
ngp

COVERING UK SECRET

8426744



FROM THE AMBASSADOR

BRITISH EMBASSY,

WASHINGTON, D.C.

TEL: (202) 462-1340

24 September 1984

The Honorable
Robert C McFarlane
Assistant to the President
for National Security Affairs
The White House
WASHINGTON DC

Dear Sir,

I enclose the text of a message from
the Prime Minister to President Reagan.
I should be grateful for your help in
transmitting it to the President.

Yours faithfully,


Oliver Wright

COVERING UK SECRET



TEXT OF MESSAGE DATED 24 SEPTEMBER FROM THE
PRIME MINISTER TO PRESIDENT REAGAN

8426744

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Begins

NLRR M299 #92652

BY KML NARA DATE 6/21/12

After two years of tough and detailed negotiations with the Chinese, which started with my visit to Peking in September 1982, we are set to initial an agreement on 26 September.

I believe that in this agreement we have achieved the major points we set out to secure. In particular, it will be a binding international agreement: it incorporates sufficient detail and clarity about the arrangements in Hong Kong for a period of 50 years after 1997 to command the confidence of the people of Hong Kong: and it contains a provision that its terms will be 'stipulated' in the basic law to be passed by the National People's Congress of China which will, in effect, form the constitution of Hong Kong after 1997. We have managed to secure a high degree of autonomy for Hong Kong in all fields, especially in the financial and economic fields and in aviation and shipping.

I do not pretend that the agreement is ideal in every respect, but I am convinced that it is a good one, and I shall commend it strongly as a whole to the people of Hong Kong and to Parliament.

I believe that this agreement has an importance that stretches beyond Hong Kong itself. It will help to heal some of the historical scars which still make relations between China and the West difficult at times. It will also play a stabilising role in the area. But to do this, the agreement must work. If it does not work, this could only have a bad effect on China's relations with the West generally. It is therefore in the interests of the West as a whole that it should succeed.



That is why I wanted to write to you personally. As you know well, Hong Kong's prosperity and security depend critically on international confidence. Without that, its prosperity will evaporate. Hong Kong is heavily dependent on commercial links with the United States. It would therefore be most valuable if, once the agreement is published, you felt able to authorise a personal statement from a senior member of your Administration expressing the confidence of the United States in Hong Kong's future prosperity. That would give a powerful lead to international reactions. It would be a major contribution to ensuring the survival of Hong Kong as a flourishing capitalist society.

Ends

22 ✓

HK



British Embassy

3100 Massachusetts Avenue NW Washington DC 20008

Telex Domestic USA 89-2370/89-2384

Telex International 64224(WUI)/440015(ITT)

Telephone (202) 462-1340

Mr David Laux
Office of East Asian & Pacific Affairs
National Security Council
Old Executive Office Building
Room 302

Your reference

Our reference

Date

27 September 1984

Dear David,

As you will have heard, the British and Chinese Governments today initialled an historic agreement on Hong Kong, which we believe, lays a firm foundation for the stability and prosperity of Hong Kong well into the next century.

The agreement is internationally binding, and takes the form of a Joint Declaration by the two governments, together with annexes, equally binding, which cover detailed arrangements for the administration of Hong Kong under Chinese sovereignty for 50 years from the expiry of the lease over the New Territories on 30 June 1997. The agreement effectively guarantees the maintenance of Hong Kong's capitalist system, and the autonomy of its administration, under Chinese sovereignty after 1997. We therefore believe that Hong Kong's trade, the vigour of her financial markets, and her vital role as a link between China and the wider world will be assured.

The agreement also reflects the strong moral obligation towards the citizens of Hong Kong which the British Government has held from the outset of the negotiations. It includes specific guarantees for their liberties, freedom of movement, political and economic freedoms, and the preservation of the present legal system. In addition an office has been established under independent monitorship to assess the acceptability of the agreement to the people of Hong Kong. Its findings will be presented to the British Parliament before the end of the year and before Parliament decides whether to approve the agreement. We expect ratification and entry into force to take place by 30 June 1985.

The British Government firmly believe that the agreement provides the necessary assurances about Hong Kong's future and have strongly recommended it to the people of Hong Kong and Parliament.

I hope you will find useful the enclosed summary of the salient points of the agreement, and a copy of the full White Paper, including explanatory notes.

Yours ever
Stephen Gomersall
S J Gomersall



PRESS RELEASE

Issued by the British Embassy Information Department,
3100 Massachusetts Avenue, N.W., Washington, D.C., 20008
Telephone: (202) 462-1340

HONG KONG

In the only on the record comment made by a British Minister about the Hong Kong Agreement, Sir Geoffrey Howe, Secretary of State for Foreign and Commonwealth Affairs said in New York today:-

"The agreement which the British and Chinese Governments have published today in London, Peking and Hong Kong is an historic and remarkable one. It sets out, in considerable detail, the framework in which a complex and sophisticated community of five and a half million people will live and work under Chinese sovereignty in the 50 years up to the year 2047. Much of the importance - and indeed the achievement - of the agreement lies in its detail and much of the debate in the weeks to come - especially in Hong Kong - will rightly focus on the details. But today is not the day for that. It is for reading and understanding the agreement as a whole.

So I do not propose to summarise or describe the agreement. To be understood it needs to be read in full. But I want instead to underline five points:

a) First, the aim which has guided the British and Chinese negotiators is the maintenance of the stability and prosperity of Hong Kong. The agreement provides for a very high degree of continuity and autonomy. It enshrines the imaginative concept of 'One country. Two systems'. Hong Kong's distinctive economic and social systems and lifestyle - so different from those in the mainland of China - will remain unchanged.

These are the characteristics which have contributed to Hong Kong's success in the past. Their preservation is the best way to ensure Hong Kong's continued success in the years up to and beyond 1997. For a unique society unique arrangements have been worked out.

b) Second, we have enshrined the result of our negotiations in an international agreement, binding in all its parts. The policies recorded in the Agreement will be stipulated in the basic law of the Hong Kong SAR to be passed by China's National People's Congress and will be the basis on which Hong Kong will be run for 50 years after 1997.

c) The administration of Hong Kong will be in local hands. It will have an executive accountable to an elected legislature: its existing legal system with a court of final appeal in Hong Kong: a public service on present lines and its own finances.

d) Fourth, Hong Kong will be able to continue as a world commercial financial and communications centre. It will be responsible for its own external trade. It will retain its own currency: the Hong Kong Dollar. There will be no exchange control: investors will be free as now to move their capital in and out. The future SAR will be able to participate in agreements like the GATT. It will make its own shipping policy and enjoy a significant degree of autonomy in civil aviation matters. In short, Hong Kong will be able to play the distinctive dynamic role that it plays today. It is important that Hong Kong's trading partners around the world recognise this.

e) Finally, the question which many are already asking is how can you be sure that the agreement will work and that both sides will implement it. The simplest answer is that this is a formal, legally binding agreement, the highest form of commitment that can be entered into between two sovereign states. Both the British and Chinese Governments take pride in their impressive record for observing international agreements.

Moreover the agreement takes proper account of the interests of both sides including the enormous interests that Britain and China share in Hong Kong's continuation as the dynamic society it is today.

This is a society that the people of Hong Kong have themselves created. Its future depends mainly on their talent, their industriousness and their confidence. It is they who have made Hong Kong the third biggest financial centre in the world, the world's third biggest container port and an economy with one of the most consistently rapid rates of growth. They are now being asked to judge this agreement for themselves.

I will be having another meeting with Foreign Minister Wu Xueqian later this morning. For both of us today marks the end of many months of intensive negotiations in which we have been very personally involved. It also marks the beginning of a much longer period, of cooperation between the British and Chinese Governments, on the basis of still closer and warmer relations, to ensure the best possible conditions for Hong Kong's entry into the 21st century.

This agreement is the result of long and hard negotiation. There has been give and take on both sides. But negotiation has always had as its basis the excellent relations that exist between Britain and China and the joint determination of both Governments to maintain Hong Kong's stability and prosperity. The Prime Minister and I have no doubt that the agreement is a good agreement and one which we can confidently commend to the Hong Kong people and British Parliament.'

26 September 1984

British Embassy, Washington DC



PRESS RELEASE

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AGREEMENT ON THE FUTURE OF HONG KONG

Initialling and Subsequent Procedure

A draft Agreement on the future of Hong Kong was intialled in Peking by the leaders of British and Chinese delegations on 26 September 1984. It has been published in an official government White Paper in London and in Hong Kong. The people of Hong Kong will be given an opportunity to make known their views on the Agreement. It will then be debated by the British Parliament. Subject to ratification by both sides, it is due to enter into force no later than 30 June 1985.

Form of the Agreement

The Agreement consists of:

- A Joint Declaration, in which the United Kingdom declares that it will return Hong Kong to the People's Republic of China in 1997, the Chinese government declares in broad outline its policies towards Hong Kong, and the two governments agree to implement these declarations and the annexes to the Agreement.
- Annex I, in which the Chinese Government expands on different aspects of its policies towards Hong Kong in fourteen sections:
- Annex II, which sets out the terms of reference and outline working arrangements of a Joint Liaison Group through which the two sides will continue to co-operate up to the year 2000:
- Annex III which provides for the protection of existing land rights and for future land grants.

There will be an associated Exchange of Memoranda on the status of persons after 30 June 1997 who at present are British Dependent Territories Citizens, and related issues.

Main Points of the Agreement

The Agreement is the result of two years of hard negotiation with the Chinese government. Its most important points are as follows:

- The Joint Declaration and its three annexes make up an international agreement, legally binding in all its parts.
- The Agreement deals in considerable detail with Chinese policies towards Hong Kong after 1997. It provides a framework in which the people of Hong Kong can work for a secure and prosperous future.
- The policies set out in the Joint Declaration and in the annexes will be included in a Basic Law to be passed by the National People's Congress of the People's Republic of China, and will be maintained for 50 years after 1997.

Under the Agreement;

- Hong Kong will enjoy a high degree of autonomy as a Special Administrative Region (SAR) of the People's Republic of China. Socialist policies applied in the mainland will not be applied to the SAR.
- The people of Hong Kong will continue to enjoy their existing rights and freedoms under Hong Kong law. The international covenant on civil and political rights and the international covenant on economic, social and cultural rights will continue to be applied to Hong Kong.
- The Legislature of the Hong Kong SAR will make laws for the Hong Kong SAR. The Legislature will be elected and the Executive will be accountable to the Legislature and to the Courts.
- Hong Kong's legal and judicial systems, including the common law will be maintained. A court of final appeal will be established in the Hong Kong SAR.
- The Hong Kong SAR will be able to negotiate agreements and participate in international organisations in appropriate fields. Hong Kong will be able to continue to participate in GATT etc.
- The Hong Kong SAR will have autonomy in economic, financial and monetary fields. There will be no exchange control and the Hong Kong dollar will continue to be freely convertible. Investors will be able to put in or withdraw their capital freely.
- The Hong Kong SAR will determine its own shipping policies, and be given authority to negotiate its own Air Service Agreements for international flights which do not touch the mainland of China.
- Existing land rights will be recognised. There is provision for the Hong Kong government to grant new leases extending until 2047.
- There will be continuation of employment for members of Hong Kong's public service, including (up to certain levels) expatriate members. All responsibilities for the payment of pensions will be taken over by the SAR government.
- The right of free entry to and exit from Hong Kong will be guaranteed. The Agreement sets out the criteria for the right of abode in Hong Kong and the issue and use of passports and other travel documents. Residents of the SAR will be able to travel on documents issued by other governments, including British passports. Hong Kong BDTCS holding British passports prior to 1 July 1997 will retain a form of British nationality after 1 July 1997. This status will not, however, be transmissible by descent.

Her Majesty's Government firmly believe that the Agreement provides the necessary assurances about Hong Kong's future and have strongly commended it to the people of Hong Kong and to the British Parliament.

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26 September 1984



Miscellaneous No. 20 (1984)

A Draft Agreement

between the Government of the
United Kingdom of Great Britain and Northern Ireland
and the
Government of the People's Republic of China
on the Future of Hong Kong

*Presented to Parliament
by the Secretary of State for Foreign and Commonwealth Affairs
by Command of Her Majesty
September 1984*

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HER MAJESTY'S STATIONERY OFFICE

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ERRATUM

Cmnd. Paper 9352

ANNEX III

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September 1984

LONDON: HER MAJESTY'S STATIONERY OFFICE

**A DRAFT AGREEMENT
BETWEEN THE GOVERNMENT OF THE UNITED KINGDOM
OF GREAT BRITAIN AND NORTHERN IRELAND AND THE
GOVERNMENT OF THE PEOPLE'S REPUBLIC OF CHINA
ON THE FUTURE OF HONG KONG**

INTRODUCTION

1. On 26 September 1984 representatives of the Governments of the United Kingdom and of the People's Republic of China initialled the draft text of an agreement on the future of Hong Kong. The agreement, contained in the second part of this White Paper, consists of a Joint Declaration and three Annexes. There is an associated Exchange of Memoranda. These documents are the outcome of two years of negotiations between the two Governments, undertaken with the common aim of maintaining the stability and prosperity of Hong Kong.

2. The purpose of this White Paper is to explain the background to the last two years' negotiations and their course, and to present the documents in their proper context. The text of this White Paper is also being published in Hong Kong by the Hong Kong Government, and the people of Hong Kong are being invited to comment on the overall acceptability of the arrangements which it describes. Thereafter the matter will be debated in Parliament.

History

3. During the nineteenth century Britain concluded three Treaties with the then Chinese Government relating to Hong Kong: the Treaty of Nanking¹, signed in 1842 and ratified in 1843 under which Hong Kong Island was ceded in perpetuity; the Convention of Peking² in 1860 under which the southern part of the Kowloon Peninsula and Stonecutters Island were ceded in perpetuity; and the Convention of 1898³ under which the New Territories (comprising 92 per cent of the total land area of the territory) were leased to Britain for 99 years from 1 July 1898. It was the fact that the New Territories are subject to a lease with a fixed expiry date which lay behind the decision by Her Majesty's Government to seek to enter negotiations with the Government of the People's Republic of China (referred to hereafter as "The Chinese Government") on Hong Kong's future.

4. The Chinese Government has consistently taken the view that the whole of Hong Kong is Chinese territory. Its position for many years was that the question of Hong Kong came into the category of unequal treaties left over from history; that it should be settled peacefully through negotiations when conditions were ripe; and that pending a settlement the status quo should be maintained. The Chinese Government made its view of Hong Kong's status clear in a letter to the Chairman of the United Nations Special Committee on the Situation with regard to the Implementation of the

¹ British State Papers Vol. 30 p. 389.

² British State Papers Vol. 50 p. 10.

³ British State Papers Vol. 90 p. 17.

Declaration on the Granting of Independence to Colonial Countries and Peoples in March 1972. This maintained that the settlement of the question of Hong Kong was a matter of China's sovereign right and that consequently Hong Kong should not be included in the list of colonial territories covered by the Declaration on the Granting of Independence to Colonial Countries and Peoples.

The Background to the Negotiations

5. In the late 1970s, as the period before the termination of the New Territories lease continued to shorten, concern about the future of Hong Kong began to be expressed both in the territory itself and among foreign investors. In particular there was increasing realisation of the problem posed by individual land leases granted in the New Territories, all of which are set to expire three days before the expiry of the New Territories lease in 1997. It was clear that the steadily shortening span of these leases and the inability of the Hong Kong Government to grant new ones extending beyond 1997 would be likely to deter investment and damage confidence.

6. Her Majesty's Government had by this time, following a detailed examination of the problem conducted in consultation with the then Governor, concluded that confidence would begin to erode quickly in the early to mid-1980s if nothing was done to alleviate the uncertainty caused by the 1997 deadline. Accordingly, when the Governor of Hong Kong visited Peking in March 1979 at the invitation of the Chinese Minister of Foreign Trade, an attempt was made, on the initiative of Her Majesty's Government, to solve the specific question of land leases expiring in 1997. These discussions did not result in measures to solve the problem.

7. In the course of the next two years there was increasing awareness of the need to remove the uncertainty which the 1997 deadline generated. The importance of the issue was publicly stressed by the senior Unofficial Member of the Executive Council in May 1982. In January 1982 Sir (then Mr.) Humphrey Atkins, Lord Privy Seal, visited Peking and was given significant indications of Chinese policy towards Hong Kong by Chinese leaders, which confirmed the view of Her Majesty's Government that negotiations should be opened with the Chinese Government.

The Prime Minister's Visit to China

8. Against this background Her Majesty's Government decided that the Prime Minister's visit to China in September 1982 would provide an opportunity to open discussions with the Chinese Government on the future of Hong Kong. It was evident that the Chinese Government had reached the same conclusion, and substantive discussions took place during the visit. Following a meeting between the Prime Minister and Chairman Deng Xiaoping on 24 September 1982 the following joint statement was issued:

"Today the leaders of both countries held far-reaching talks in a friendly atmosphere on the future of Hong Kong. Both leaders made clear their respective positions on this subject.

They agreed to enter talks through diplomatic channels following the visit with the common aim of maintaining the stability and prosperity of Hong Kong."

The Course of the Negotiations

9. The Prime Minister's visit was followed by the first phase of negotiations conducted by Her Majesty's Ambassador in Peking and the Chinese Foreign Ministry. These consisted of exchanges between the two sides on the basis on which the negotiations would be conducted, and on the agenda. On 1 July 1983 it was announced that the second phase of the talks would begin in Peking on 12 July. The pattern of negotiation in the second phase, which was continued until the end of the negotiations, was for formal rounds of talks to be held between delegations led by Her Majesty's Ambassador in Peking and a Vice or Assistant Minister of the Chinese Foreign Ministry, supplemented as necessary by informal contacts between the two delegations. The Governor of Hong Kong took part in every round of formal talks as a member of the British delegation.

10. In the course of the negotiations Her Majesty's Government explained in detail the systems which prevail in Hong Kong and the importance for these systems of the British administrative rôle and link. Following extensive discussion, however, it became clear that the continuation of British administration after 1997 would not be acceptable to China in any form. After full consultation with the Governor and the Executive Council of Hong Kong, Her Majesty's Government therefore proposed that the two sides discuss on a conditional basis what effective measures other than continued British administration might be devised to maintain the stability and prosperity of Hong Kong and explore further the Chinese ideas about the future which had at that stage been explained to them, in order to see whether on this basis arrangements which would ensure lasting stability and prosperity for Hong Kong could be constructed. The Chinese Government was told that, if this process was successful, Her Majesty's Government would consider recommending to Parliament a bilateral agreement enshrining the arrangements. Her Majesty's Government also undertook in this event to assist in the implementation of such arrangements. Following this, Her Majesty's Government sought to explore with the Chinese Government the implications of the Chinese Government's concept of Hong Kong as a Special Administrative Region of the People's Republic of China. In response, the Chinese side further elaborated its policies and ideas.

11. In April 1984 the two sides completed initial discussion of these matters. There were a number of outstanding unresolved points, but it was by then clear that an acceptable basis for an agreement might be possible. At the invitation of the Chinese Government the Secretary of State for Foreign and Commonwealth Affairs visited Peking from 15 to 18 April. During his meetings with Chinese leaders the two sides reviewed the course of the talks on the future of Hong Kong, and further progress was made. In Hong Kong on 20 April Sir Geoffrey Howe made a statement on the approach of Her Majesty's Government to the negotiations. He said that

it would not be realistic to think of an agreement that provided for continued British administration in Hong Kong after 1997: for that reason Her Majesty's Government had been examining with the Chinese Government how it might be possible to arrive at arrangements that would secure for Hong Kong, after 1997, a high degree of autonomy under Chinese sovereignty, and that would preserve the way of life in Hong Kong, together with the essentials of the present systems. He made it clear that Her Majesty's Government were working for a framework of arrangements that would provide for the maintenance of Hong Kong's flourishing and dynamic society, and an agreement in which such arrangements would be formally set out.

12. After Sir Geoffrey Howe's visit in April 1984 negotiations continued. A working group was established on 21 June 1984 to meet full-time in Peking and consider documents tabled by both sides. From 27 to 31 July 1984 the Secretary of State for Foreign and Commonwealth Affairs again visited Peking. The visit was devoted almost entirely to the future of Hong Kong. Sir Geoffrey Howe announced in Hong Kong on 1 August that very substantial progress had been made towards agreement on the form and content of documents which would set out arrangements for Hong Kong's future with clarity and precision, in legally binding form.

13. Sir Geoffrey also announced on the same occasion that the two sides had agreed to establish a Sino-British Joint Liaison Group which would come into being when the agreement came into force and continue until the year 2000. It would meet in Peking, London and Hong Kong. It was agreed that the Group would not be an organ of power. Its functions would be: liaison, consultation on the implementation of the agreement, and exchange of information. It was agreed that it would play no part in the administration of Hong Kong. Her Majesty's Government would continue to be responsible for the administration of Hong Kong up to 30 June 1997.

14. Following Sir Geoffrey Howe's visit the negotiations continued on the remaining unresolved issues and three further rounds of plenary talks took place. A further *ad hoc* working group was established in Peking on 24 August. By 18 September negotiators on both sides had approved the English and Chinese texts of the documents that make up the agreement and the associated Exchange of Memoranda. These were submitted to British Ministers and Chinese leaders for final approval. The texts were initialled by the two delegation leaders on 26 September.

Consultation with the People of Hong Kong

15. From the beginning of the negotiations Her Majesty's Government have been conscious that the negotiations concerned the interests and future of the five and a half million people of Hong Kong. It has been the consistent position of Her Majesty's Government that any agreement with the Chinese Government on the future of the territory should be acceptable to the people of Hong Kong as well as to the British Parliament and the Chinese Government.

16. The negotiations had to be conducted on a basis of confidentiality. This was crucial to their success, but the maintenance of confidentiality also caused much concern and anxiety among the people of Hong Kong who were understandably anxious to know what was being negotiated for their future. All members of the Executive Council, as the Governor's closest advisers, were kept fully informed on the negotiations and consulted on a continuing basis throughout the period. The Unofficial Members of the Executive and Legislative Councils (UMELCO) provided invaluable advice to the Governor and to Ministers on the course of the negotiations and on the attitude of the people of Hong Kong.

17. At a number of crucial points in the negotiations the Governor and Unofficial Members of the Executive Council visited London for consultations with the Prime Minister and other Ministers. British Ministers also paid a series of visits to Hong Kong, to consult the Governor, the Executive Council and the Unofficial Members of the Executive and Legislative Councils and to keep in touch with opinion in the territory. The Secretary of State for Foreign and Commonwealth Affairs was able to describe the approach of Her Majesty's Government to the negotiations in his statement in Hong Kong on 20 April 1984, and to fill in more details of what might eventually be included in an agreement in a further statement in the territory on 1 August 1984. In the course of the negotiations, and in particular since the statement of 20 April, numerous individuals and groups in Hong Kong have made specific proposals on what should be included in an eventual agreement. The Legislative Council of Hong Kong has debated aspects of the future of the territory on a number of occasions. Her Majesty's Government have paid close attention to these expressions of opinion which the Hong Kong Government have relayed to Ministers, and to views about the future expressed through a variety of channels—by and through UMELCO, through the press, through individual communications addressed to Her Majesty's Government or the Hong Kong Government. In this way Her Majesty's Government have sought to take into account the views of the people of Hong Kong to the maximum extent possible during the negotiations.

18. In the same way the maintenance of confidentiality has made the task of consulting Parliament on the negotiations more difficult. Despite this there were debates on Hong Kong in October and November 1983 and in May 1984, and part of the Foreign Affairs Debate in March 1984 was also devoted to Hong Kong. Members of Parliament have kept in close touch with the people of Hong Kong, both through visits to the territory and through meetings with Hong Kong delegations visiting the United Kingdom.

Introduction to the Agreement

19. The full text of the draft agreement is included in the second part of this White Paper. It consists of a Joint Declaration and three Annexes. Each part of the agreement has the same status. The whole makes up a formal international agreement, legally binding in all its parts. An international agreement of this kind is the highest form of commitment between two sovereign states.

20. The Joint Declaration consists in part of linked declarations by Her Majesty's Government and the Chinese Government. In paragraph 1 the

Chinese Government declares that it will resume the exercise of sovereignty over Hong Kong on 1 July 1997. In paragraph 2 Her Majesty's Government declare that they will restore Hong Kong to the Chinese Government from that date. In paragraph 3 the Chinese Government sets out its policies towards Hong Kong after 30 June 1997. In paragraph 4 the two Governments jointly declare that Her Majesty's Government will remain responsible for the administration of Hong Kong up to 30 June 1997. Paragraphs 5 and 6 deal with the Joint Liaison Group and land. Paragraph 7 constitutes the important link between the declarations by the two parties; it has the effect of making the Joint Declaration and the Annexes to it legally binding in their entirety on the two Governments. Paragraph 8 provides for the agreement to enter into force on ratification. Ratification will take place before 30 June 1985.

21. The agreement sets out clearly the relationship between the provisions which it contains and the future Basic Law of the Hong Kong Special Administrative Region, to be promulgated by the National People's Congress of the People's Republic of China. Paragraph 3(12) of the Joint Declaration provides that the basic policies in the Joint Declaration and the elaboration of them in Annex I will be stipulated in the Basic Law. They will remain unchanged for 50 years.

22. Annex I contains an elaboration of Chinese policies for the Hong Kong Special Administration Region. The Annex deals in detail with the way Hong Kong will work after 1 July 1997, and describes the extent of the autonomy and continuity which will prevail then. The subjects dealt with in the various sections of this Annex are:

- (i) constitutional arrangements and government structure;
- (ii) the laws;
- (iii) the judicial system;
- (iv) the public service;
- (v) the financial system;
- (vi) the economic system and external economic relations;
- (vii) the monetary system;
- (viii) shipping;
- (ix) civil aviation;
- (x) culture and education;
- (xi) external relations;
- (xii) defence, security and public order;
- (xiii) rights and freedoms;
- (xiv) right of abode, travel documents and immigration.

23. Annex II sets out the provisions concerning the establishment of a Sino-British Joint Liaison Group. The Joint Liaison Group will be established on the entry into force of the agreement and will meet in Peking, London and Hong Kong. From 1 July 1988 it will be based in Hong Kong, although it will also continue to meet in Peking and London. It will continue its work until 1 January 2000. The Annex includes terms of reference which clearly

indicate that the Group will be a forum for liaison only and not an organ of power. It will neither play a part in the administration of Hong Kong nor have any supervisory rôle.

24. Annex III deals with land leases. It covers leases that have already been issued by the Hong Kong Government, leases to be issued between the entry into force of the agreement and 1997, certain financial arrangements, and arrangements for the establishment of a joint Land Commission.

25. Associated with the agreement is a separate Exchange of Memoranda on the status of persons after 30 June 1997 who at present are British Dependent Territories citizens, and related issues. The Memoranda will be formally exchanged in Peking on the same day as the signature of the Joint Declaration.

26. The last part of this White Paper contains further explanatory notes on the text of the Annexes to the Joint Declaration and the Exchange of Memoranda.

Views of Her Majesty's Government on the Agreement

27. As recorded in paragraph 10 above, Her Majesty's Government have sought to see whether on the basis of proposals put forward by the Chinese Government arrangements could be constructed which would ensure lasting stability and prosperity for Hong Kong. They have negotiated energetically and they believe successfully to secure an agreement which meets the needs and wishes of the people of Hong Kong. The negotiations have been hard and long. Taking the agreement as a whole Her Majesty's Government are confident that it does provide a framework in which the stability and prosperity of Hong Kong can be maintained after 1997 as a Special Administrative Region of the People's Republic of China.

28. The text of the agreement has been initialled by both sides. This represents a certification by the negotiators that it represents accurately the outcome of the negotiations. However, as is normal with international agreements negotiated between nations there is no realistic possibility of amending the text. The agreement must be taken as a whole.

29. Her Majesty's Government have a duty to make clear beyond any possibility of misunderstanding the alternative to acceptance of the agreement set out in this White Paper. In their view, there is no possibility of an amended agreement. The alternative to acceptance of the present agreement is to have no agreement. In this case the Chinese Government has made it plain that negotiations could not be reopened and that it would publish its own plan for Hong Kong. There is no guarantee that such a unilateral plan would include all the elements included in the draft agreement, nor would it have the same status as a legally binding agreement between the two countries. Whether or not there is an agreement between Her Majesty's Government and the Chinese Government the New Territories will revert to China on 1 July 1997 under the terms of the 1898 Convention. The remainder of Hong Kong (Hong Kong Island, Kowloon and Stonecutters Island) would not be viable alone. Hong Kong, including the New Territories, has since 1898 become an integral whole and Her Majesty's Government are satisfied that there is no possibility of dividing the New

Territories which revert to China on 1 July 1997 from the remainder. The choice is therefore between reversion of Hong Kong to China under agreed, legally binding international arrangements or reversion to China without such arrangements. This is not a choice which Her Majesty's Government have sought to impose on the people of Hong Kong. It is a choice imposed by the facts of Hong Kong's history.

30. Her Majesty's Government believe that the agreement is a good one. They strongly commend it to the people of Hong Kong and to Parliament. It provides a framework in which Hong Kong as a Special Administrative Region of the People's Republic of China will be able to preserve its unique economic system and way of life after 1 July 1997. The Agreement preserves Hong Kong's familiar legal system and the body of laws in force in Hong Kong, including the common law. The agreement gives Hong Kong a high degree of autonomy in which it will be able to administer itself and pass its own legislation. It will enable Hong Kong to continue to decide on its own economic, financial and trade policies, and to participate in international organisations and trade agreements such as the General Agreement on Tariffs and Trade (GATT). **Her Majesty's Government are confident that the agreement provides the necessary assurances about Hong Kong's future which will allow the territory to continue to flourish, and to maintain its unique rôle in the world as a major trading and financial centre.**

The Agreement and the People of Hong Kong

31. Her Majesty's Government have consistently stated that an agreement on the future of Hong Kong must be acceptable to the people of Hong Kong as well as to Parliament. In his statement on 20 April 1984 in Hong Kong the Secretary of State for Foreign and Commonwealth Affairs stated that the people of Hong Kong would need to have time to express their views on the agreement, before it was debated by Parliament. The people of Hong Kong will now have this opportunity.

32. The text of this White Paper is also being published in Hong Kong by the Hong Kong Government and will be circulated through a wide variety of channels in the territory. An Assessment Office has been set up in Hong Kong under the charge of a senior official of the Hong Kong Government, directly responsible to the Governor. This office will provide Her Majesty's Government and Parliament with an analysis and assessment of opinion in Hong Kong on the draft agreement. Two monitors, Sir Patrick Nairne and Mr Justice Simon Li, have been appointed by Her Majesty's Government to observe the work of the Assessment Office and to report independently to the Secretary of State for Foreign and Commonwealth Affairs on whether they are satisfied that the Assessment Office has properly, accurately and impartially discharged its duties. In the light of these two reports Her Majesty's Government will decide what recommendation to make to Parliament.

33. The people of Hong Kong are now invited to comment on the overall acceptability of the draft agreement on Hong Kong negotiated between Her Majesty's Government and the Chinese Government, against the background set out in this White Paper.

**JOINT DECLARATION
OF THE GOVERNMENT OF THE UNITED KINGDOM OF
GREAT BRITAIN AND NORTHERN IRELAND
AND
THE GOVERNMENT OF THE PEOPLE'S REPUBLIC OF CHINA
ON THE QUESTION OF HONG KONG**

The Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the People's Republic of China have reviewed with satisfaction the friendly relations existing between the two Governments and peoples in recent years and agreed that a proper negotiated settlement of the question of Hong Kong, which is left over from the past, is conducive to the maintenance of the prosperity and stability of Hong Kong and to the further strengthening and development of the relations between the two countries on a new basis. To this end, they have, after talks between the delegations of the two Governments, agreed to declare as follows:

1. The Government of the People's Republic of China declares that to recover the Hong Kong area (including Hong Kong Island, Kowloon and the New Territories, hereinafter referred to as Hong Kong) is the common aspiration of the entire Chinese people, and that it has decided to resume the exercise of sovereignty over Hong Kong with effect from 1 July 1997.

2. The Government of the United Kingdom declares that it will restore Hong Kong to the People's Republic of China with effect from 1 July 1997.

3. The Government of the People's Republic of China declares that the basic policies of the People's Republic of China regarding Hong Kong are as follows:

(1) Upholding national unity and territorial integrity and taking account of the history of Hong Kong and its realities, the People's Republic of China has decided to establish, in accordance with the provisions of Article 31 of the Constitution of the People's Republic of China, a Hong Kong Special Administrative Region upon resuming the exercise of sovereignty over Hong Kong.

(2) The Hong Kong Special Administrative Region will be directly under the authority of the Central People's Government of the People's Republic of China. The Hong Kong Special Administrative Region will enjoy a high degree of autonomy, except in foreign and defence affairs which are the responsibilities of the Central People's Government.

(3) The Hong Kong Special Administrative Region will be vested with executive, legislative, and independent judicial power, including that of final adjudication. The laws currently in force in Hong Kong will remain basically unchanged.

(4) The Government of the Hong Kong Special Administrative Region will be composed of local inhabitants. The chief executive will be appointed by the Central People's Government on the basis of the results of elections or consultations to be held locally. Principal

officials will be nominated by the chief executive of the Hong Kong Special Administrative Region for appointment by the Central People's Government. Chinese and foreign nationals previously working in the public and police services in the government departments of Hong Kong may remain in employment. British and other foreign nationals may also be employed to serve as advisers or hold certain public posts in government departments of the Hong Kong Special Administrative Region.

(5) The current social and economic systems in Hong Kong will remain unchanged, and so will the life-style. Rights and freedoms, including those of the person, of speech, of the press, of assembly, of association, of travel, of movement, of correspondence, of strike, of choice of occupation, of academic research and of religious belief will be ensured by law in the Hong Kong Special Administrative Region. Private property, ownership of enterprises, legitimate right of inheritance and foreign investment will be protected by law.

(6) The Hong Kong Special Administrative Region will retain the status of a free port and a separate customs territory.

(7) The Hong Kong Special Administrative Region will retain the status of an international financial centre, and its markets for foreign exchange, gold, securities and futures will continue. There will be free flow of capital. The Hong Kong dollar will continue to circulate and remain freely convertible.

(8) The Hong Kong Special Administrative Region will have independent finances. The Central People's Government will not levy taxes on the Hong Kong Special Administrative Region.

(9) The Hong Kong Special Administrative Region may establish mutually beneficial economic relations with the United Kingdom and other countries, whose economic interests in Hong Kong will be given due regard.

(10) Using the name of "Hong Kong, China", the Hong Kong Special Administrative Region may on its own maintain and develop economic and cultural relations and conclude relevant agreements with states, regions and relevant international organisations.

The Government of the Hong Kong Special Administrative Region may on its own issue travel documents for entry into and exit from Hong Kong.

(11) The maintenance of public order in the Hong Kong Special Administrative Region will be the responsibility of the Government of the Hong Kong Special Administrative Region.

(12) The above-stated basic policies of the People's Republic of China regarding Hong Kong and the elaboration of them in Annex I to this Joint Declaration will be stipulated, in a Basic Law of the Hong Kong Special Administrative Region of the People's Republic of China, by the National People's Congress of the People's Republic of China, and they will remain unchanged for 50 years.

4. The Government of the United Kingdom and the Government of the People's Republic of China declare that, during the transitional period between the date of the entry into force of this Joint Declaration and 30 June 1997, the Government of the United Kingdom will be responsible for the administration of Hong Kong with the object of maintaining and preserving its economic prosperity and social stability; and that the Government of the People's Republic of China will give its cooperation in this connection.

5. The Government of the United Kingdom and the Government of the People's Republic of China declare that, in order to ensure a smooth transfer of government in 1997, and with a view to the effective implementation of this Joint Declaration, a Sino-British Joint Liaison Group will be set up when this Joint Declaration enters into force; and that it will be established and will function in accordance with the provisions of Annex II to this Joint Declaration.

6. The Government of the United Kingdom and the Government of the People's Republic of China declare that land leases in Hong Kong and other related matters will be dealt with in accordance with the provisions of Annex III to this Joint Declaration.

7. The Government of the United Kingdom and the Government of the People's Republic of China agree to implement the preceding declarations and the Annexes to this Joint Declaration.

8. This Joint Declaration is subject to ratification and shall enter into force on the date of the exchange of instruments of ratification, which shall take place in Beijing before 30 June 1985. This Joint Declaration and its Annexes shall be equally binding.

Done in duplicate at Beijing on 1984 in the English and Chinese languages, both texts being equally authentic.

For the
Government of the United
Kingdom of Great Britain
and Northern Ireland

For the
Government of the
People's Republic of
China

ANNEX I

ELABORATION BY THE GOVERNMENT OF THE PEOPLE'S REPUBLIC OF CHINA OF ITS BASIC POLICIES REGARDING HONG KONG

The Government of the People's Republic of China elaborates the basic policies of the People's Republic of China regarding Hong Kong as set out in paragraph 3 of the Joint Declaration of the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the People's Republic of China on the Question of Hong Kong as follows:

I

The Constitution of the People's Republic of China stipulates in Article 31 that "the state may establish special administrative regions when necessary. The systems to be instituted in special administrative regions shall be prescribed by laws enacted by the National People's Congress in the light of the specific conditions". In accordance with this Article, the People's Republic of China shall, upon the resumption of the exercise of sovereignty over Hong Kong on 1 July 1997, establish the Hong Kong Special Administrative Region of the People's Republic of China. The National People's Congress of the People's Republic of China shall enact and promulgate a Basic Law of the Hong Kong Special Administrative Region of the People's Republic of China (hereinafter referred to as the Basic Law) in accordance with the Constitution of the People's Republic of China, stipulating that after the establishment of the Hong Kong Special Administrative Region the socialist system and socialist policies shall not be practised in the Hong Kong Special Administrative Region and that Hong Kong's previous capitalist system and life-style shall remain unchanged for 50 years.

The Hong Kong Special Administrative Region shall be directly under the authority of the Central People's Government of the People's Republic of China and shall enjoy a high degree of autonomy. Except for foreign and defence affairs which are the responsibilities of the Central People's Government, the Hong Kong Special Administrative Region shall be vested with executive, legislative and independent judicial power, including that of final adjudication. The Central People's Government shall authorise the Hong Kong Special Administrative Region to conduct on its own those external affairs specified in Section XI of this Annex.

The government and legislature of the Hong Kong Special Administrative Region shall be composed of local inhabitants. The chief executive of the Hong Kong Special Administrative Region shall be selected by election or through consultations held locally and be appointed by the Central People's Government. Principal officials (equivalent to Secretaries) shall be nominated by the chief executive of the Hong Kong Special Administrative Region and appointed by the Central People's Government. The legislature of the Hong Kong Special Administrative Region shall be constituted by elections. The executive authorities shall abide by the law and shall be accountable to the legislature.

In addition to Chinese, English may also be used in organs of government and in the courts in the Hong Kong Special Administrative Region.

Apart from displaying the national flag and national emblem of the People's Republic of China, the Hong Kong Special Administrative Region may use a regional flag and emblem of its own.

II

After the establishment of the Hong Kong Special Administrative Region, the laws previously in force in Hong Kong (*i.e.* the common law, rules of equity, ordinances, subordinate legislation and customary law) shall be maintained, save for any that contravene the Basic Law and subject to any amendment by the Hong Kong Special Administrative Region legislature.

The legislative power of the Hong Kong Special Administrative Region shall be vested in the legislature of the Hong Kong Special Administrative Region. The legislature may on its own authority enact laws in accordance with the provisions of the Basic Law and legal procedures, and report them to the Standing Committee of the National People's Congress for the record. Laws enacted by the legislature which are in accordance with the Basic Law and legal procedures shall be regarded as valid.

The laws of the Hong Kong Special Administrative Region shall be the Basic Law, and the laws previously in force in Hong Kong and laws enacted by the Hong Kong Special Administrative Region legislature as above.

III

After the establishment of the Hong Kong Special Administrative Region, the judicial system previously practised in Hong Kong shall be maintained except for those changes consequent upon the vesting in the courts of the Hong Kong Special Administrative Region of the power of final adjudication.

Judicial power in the Hong Kong Special Administrative Region shall be vested in the courts of the Hong Kong Special Administrative Region. The courts shall exercise judicial power independently and free from any interference. Members of the judiciary shall be immune from legal action in respect of their judicial functions. The courts shall decide cases in accordance with the laws of the Hong Kong Special Administrative Region and may refer to precedents in other common law jurisdictions.

Judges of the Hong Kong Special Administrative Region courts shall be appointed by the chief executive of the Hong Kong Special Administrative Region acting in accordance with the recommendation of an independent commission composed of local judges, persons from the legal profession and other eminent persons. Judges shall be chosen by reference to their judicial qualities and may be recruited from other common law jurisdictions. A judge may only be removed for inability to discharge the functions of his office, or for misbehaviour, by the chief executive of the Hong Kong Special Administrative Region acting in accordance with the

recommendation of a tribunal appointed by the chief judge of the court of final appeal, consisting of not fewer than three local judges. Additionally, the appointment or removal of principal judges (*i.e.* those of the highest rank) shall be made by the chief executive with the endorsement of the Hong Kong Special Administrative Region legislature and reported to the Standing Committee of the National People's Congress for the record. The system of appointment and removal of judicial officers other than judges shall be maintained.

The power of final judgment of the Hong Kong Special Administrative Region shall be vested in the court of final appeal in the Hong Kong Special Administrative Region, which may as required invite judges from other common law jurisdictions to sit on the court of final appeal.

A prosecuting authority of the Hong Kong Special Administrative Region shall control criminal prosecutions free from any interference.

On the basis of the system previously operating in Hong Kong, the Hong Kong Special Administrative Region Government shall on its own make provision for local lawyers and lawyers from outside the Hong Kong Special Administrative Region to work and practise in the Hong Kong Special Administrative Region.

The Central People's Government shall assist or authorise the Hong Kong Special Administrative Region Government to make appropriate arrangements for reciprocal juridical assistance with foreign states.

IV

After the establishment of the Hong Kong Special Administrative Region, public servants previously serving in Hong Kong in all government departments, including the police department, and members of the judiciary may all remain in employment and continue their service with pay, allowances, benefits and conditions of service no less favourable than before. The Hong Kong Special Administrative Region Government shall pay to such persons who retire or complete their contracts, as well as to those who have retired before 1 July 1997, or to their dependants, all pensions, gratuities, allowances and benefits due to them on terms no less favourable than before, and irrespective of their nationality or place of residence.

The Hong Kong Special Administrative Region Government may employ British and other foreign nationals previously serving in the public service in Hong Kong, and may recruit British and other foreign nationals holding permanent identity cards of the Hong Kong Special Administrative Region to serve as public servants at all levels, except as heads of major government departments (corresponding to branches or departments at Secretary level) including the police department, and as deputy heads of some of those departments. The Hong Kong Special Administrative Region Government may also employ British and other foreign nationals as advisers to government departments and, when there is a need, may recruit qualified candidates from outside the Hong Kong Special Administrative Region to professional and technical posts in government departments. The above

shall be employed only in their individual capacities and, like other public servants, shall be responsible to the Hong Kong Special Administrative Region Government.

The appointment and promotion of public servants shall be on the basis of qualifications, experience and ability. Hong Kong's previous system of recruitment, employment, assessment, discipline, training and management for the public service (including special bodies for appointment, pay and conditions of service) shall, save for any provisions providing privileged treatment for foreign nationals, be maintained.

V

The Hong Kong Special Administrative Region shall deal on its own with financial matters, including disposing of its financial resources and drawing up its budgets and its final accounts. The Hong Kong Special Administrative Region shall report its budgets and final accounts to the Central People's Government for the record.

The Central People's Government shall not levy taxes on the Hong Kong Special Administrative Region. The Hong Kong Special Administrative Region shall use its financial revenues exclusively for its own purposes and they shall not be handed over to the Central People's Government. The systems by which taxation and public expenditure must be approved by the legislature, and by which there is accountability to the legislature for all public expenditure, and the system for auditing public accounts shall be maintained.

VI

The Hong Kong Special Administrative Region shall maintain the capitalist economic and trade systems previously practised in Hong Kong. The Hong Kong Special Administrative Region Government shall decide its economic and trade policies on its own. Rights concerning the ownership of property, including those relating to acquisition, use, disposal, inheritance and compensation for lawful deprivation (corresponding to the real value of the property concerned, freely convertible and paid without undue delay) shall continue to be protected by law.

The Hong Kong Special Administrative Region shall retain the status of a free port and continue a free trade policy, including the free movement of goods and capital. The Hong Kong Special Administrative Region may on its own maintain and develop economic and trade relations with all states and regions.

The Hong Kong Special Administrative Region shall be a separate customs territory. It may participate in relevant international organisations and international trade agreements (including preferential trade arrangements), such as the General Agreement on Tariffs and Trade and arrangements regarding international trade in textiles. Export quotas, tariff preferences and other similar arrangements obtained by the Hong Kong Special Administrative Region shall be enjoyed exclusively by the Hong Kong Special Administrative

Region. The Hong Kong Special Administrative Region shall have authority to issue its own certificates of origin for products manufactured locally, in accordance with prevailing rules of origin.

The Hong Kong Special Administrative Region may, as necessary, establish official and semi-official economic and trade missions in foreign countries, reporting the establishment of such missions to the Central People's Government for the record.

VII

The Hong Kong Special Administrative Region shall retain the status of an international financial centre. The monetary and financial systems previously practised in Hong Kong, including the systems of regulation and supervision of deposit taking institutions and financial markets, shall be maintained.

The Hong Kong Special Administrative Region Government may decide its monetary and financial policies on its own. It shall safeguard the free operation of financial business and the free flow of capital within, into and out of the Hong Kong Special Administrative Region. No exchange control policy shall be applied in the Hong Kong Special Administrative Region. Markets for foreign exchange, gold, securities and futures shall continue.

The Hong Kong dollar, as the local legal tender, shall continue to circulate and remain freely convertible. The authority to issue Hong Kong currency shall be vested in the Hong Kong Special Administrative Region Government. The Hong Kong Special Administrative Region Government may authorise designated banks to issue or to continue to issue Hong Kong currency under statutory authority, after satisfying itself that any issue of currency will be soundly based and that the arrangements for such issue are consistent with the object of maintaining the stability of the currency. Hong Kong currency bearing references inappropriate to the status of Hong Kong as a Special Administrative Region of the People's Republic of China shall be progressively replaced and withdrawn from circulation.

The Exchange Fund shall be managed and controlled by the Hong Kong Special Administrative Region Government, primarily for regulating the exchange value of the Hong Kong dollar.

VIII

The Hong Kong Special Administrative Region shall maintain Hong Kong's previous systems of shipping management and shipping regulation, including the system for regulating conditions of seamen. The specific functions and responsibilities of the Hong Kong Special Administrative Region Government in the field of shipping shall be defined by the Hong Kong Special Administrative Region Government on its own. Private shipping businesses and shipping-related businesses and private container terminals in Hong Kong may continue to operate freely.

The Hong Kong Special Administrative Region shall be authorised by the Central People's Government to continue to maintain a shipping register and issue related certificates under its own legislation in the name of "Hong Kong, China".

With the exception of foreign warships, access for which requires the permission of the Central People's Government, ships shall enjoy access to the ports of the Hong Kong Special Administrative Region in accordance with the laws of the Hong Kong Special Administrative Region.

IX

The Hong Kong Special Administrative Region shall maintain the status of Hong Kong as a centre of international and regional aviation. Airlines incorporated and having their principal place of business in Hong Kong and civil aviation related businesses may continue to operate. The Hong Kong Special Administrative Region shall continue the previous system of civil aviation management in Hong Kong, and keep its own aircraft register in accordance with provisions laid down by the Central People's Government concerning nationality marks and registration marks of aircraft. The Hong Kong Special Administrative Region shall be responsible on its own for matters of routine business and technical management of civil aviation, including the management of airports, the provision of air traffic services within the flight information region of the Hong Kong Special Administrative Region, and the discharge of other responsibilities allocated under the regional air navigation procedures of the International Civil Aviation Organisation.

The Central People's Government shall, in consultation with the Hong Kong Special Administrative Region Government, make arrangements providing for air services between the Hong Kong Special Administrative Region and other parts of the People's Republic of China for airlines incorporated and having their principal place of business in the Hong Kong Special Administrative Region and other airlines of the People's Republic of China. All air service agreements providing for air services between other parts of the People's Republic of China and other states and regions with stops at the Hong Kong Special Administrative Region and air services between the Hong Kong Special Administrative Region and other states and regions with stops at other parts of the People's Republic of China shall be concluded by the Central People's Government. For this purpose, the Central People's Government shall take account of the special conditions and economic interests of the Hong Kong Special Administrative Region and consult the Hong Kong Special Administrative Region Government. Representatives of the Hong Kong Special Administrative Region Government may participate as members of delegations of the Government of the People's Republic of China in air service consultations with foreign governments concerning arrangements for such services.

Acting under specific authorisations from the Central People's Government, the Hong Kong Special Administrative Region Government may:

- renew or amend Air Service Agreements and arrangements previously in force; in principle, all such Agreements and arrangements may be renewed or amended with the rights contained in such previous Agreements and arrangements being as far as possible maintained;

- negotiate and conclude new Air Service Agreements providing routes for airlines incorporated and having their principal place of business in the Hong Kong Special Administrative Region and rights for overflights and technical stops; and
- negotiate and conclude provisional arrangements where no Air Service Agreement with a foreign state or other region is in force.

All scheduled air services to, from or through the Hong Kong Special Administrative Region which do not operate to, from or through the mainland of China shall be regulated by Air Service Agreements or provisional arrangements referred to in this paragraph.

The Central People's Government shall give the Hong Kong Special Administrative Region Government the authority to:

- negotiate and conclude with other authorities all arrangements concerning the implementation of the above Air Service Agreements and provisional arrangements;
- issue licences to airlines incorporated and having their principal place of business in the Hong Kong Special Administrative Region;
- designate such airlines under the above Air Service Agreements and provisional arrangements; and
- issue permits to foreign airlines for services other than those to, from or through the mainland of China.

X

The Hong Kong Special Administrative Region shall maintain the educational system previously practised in Hong Kong. The Hong Kong Special Administrative Region Government shall on its own decide policies in the fields of culture, education, science and technology, including policies regarding the educational system and its administration, the language of instruction, the allocation of funds, the examination system, the system of academic awards and the recognition of educational and technological qualifications. Institutions of all kinds, including those run by religious and community organisations, may retain their autonomy. They may continue to recruit staff and use teaching materials from outside the Hong Kong Special Administrative Region. Students shall enjoy freedom of choice of education and freedom to pursue their education outside the Hong Kong Special Administrative Region.

XI

Subject to the principle that foreign affairs are the responsibility of the Central People's Government, representatives of the Hong Kong Special Administrative Region Government may participate, as members of delegations of the Government of the People's Republic of China, in negotiations at the diplomatic level directly affecting the Hong Kong Special Administrative Region conducted by the Central People's Government. The Hong Kong Special Administrative Region may on its own, using the name

"Hong Kong, China", maintain and develop relations and conclude and implement agreements with states, regions and relevant international organisations in the appropriate fields, including the economic, trade, financial and monetary, shipping, communications, touristic, cultural and sporting fields. Representatives of the Hong Kong Special Administrative Region Government may participate, as members of delegations of the Government of the People's Republic of China, in international organisations or conferences in appropriate fields limited to states and affecting the Hong Kong Special Administrative Region, or may attend in such other capacity as may be permitted by the Central People's Government and the organisation or conference concerned, and may express their views in the name of "Hong Kong, China". The Hong Kong Special Administrative Region may, using the name "Hong Kong, China", participate in international organisations and conferences not limited to states.

The application to the Hong Kong Special Administrative Region of international agreements to which the People's Republic of China is or becomes a party shall be decided by the Central People's Government, in accordance with the circumstances and needs of the Hong Kong Special Administrative Region, and after seeking the views of the Hong Kong Special Administrative Region Government. International agreements to which the People's Republic of China is not a party but which are implemented in Hong Kong may remain implemented in the Hong Kong Special Administrative Region. The Central People's Government shall, as necessary, authorise and assist the Hong Kong Special Administrative Region Government to make appropriate arrangements for the application to the Hong Kong Special Administrative Region of other relevant international agreements. The Central People's Government shall take the necessary steps to ensure that the Hong Kong Special Administrative Region shall continue to retain its status in an appropriate capacity in those international organisations of which the People's Republic of China is a member and in which Hong Kong participates in one capacity or another. The Central People's Government shall, where necessary, facilitate the continued participation of the Hong Kong Special Administrative Region in an appropriate capacity in those international organisations in which Hong Kong is a participant in one capacity or another, but of which the People's Republic of China is not a member.

Foreign consular and other official or semi-official missions may be established in the Hong Kong Special Administrative Region with the approval of the Central People's Government. Consular and other official missions established in Hong Kong by states which have established formal diplomatic relations with the People's Republic of China may be maintained. According to the circumstances of each case, consular and other official missions of states having no formal diplomatic relations with the People's Republic of China may either be maintained or changed to semi-official missions. States not recognised by the People's Republic of China can only establish non-governmental institutions.

The United Kingdom may establish a Consulate-General in the Hong Kong Special Administrative Region.

XII

The maintenance of public order in the Hong Kong Special Administrative Region shall be the responsibility of the Hong Kong Special Administrative Region Government. Military forces sent by the Central People's Government to be stationed in the Hong Kong Special Administrative Region for the purpose of defence shall not interfere in the internal affairs of the Hong Kong Special Administrative Region. Expenditure for these military forces shall be borne by the Central People's Government.

XIII

The Hong Kong Special Administrative Region Government shall protect the rights and freedoms of inhabitants and other persons in the Hong Kong Special Administrative Region according to law. The Hong Kong Special Administrative Region Government shall maintain the rights and freedoms as provided for by the laws previously in force in Hong Kong, including freedom of the person, of speech, of the press, of assembly, of association, to form and join trade unions, of correspondence, of travel, of movement, of strike, of demonstration, of choice of occupation, of academic research, of belief, inviolability of the home, the freedom to marry and the right to raise a family freely.

Every person shall have the right to confidential legal advice, access to the courts, representation in the courts by lawyers of his choice, and to obtain judicial remedies. Every person shall have the right to challenge the actions of the executive in the courts.

Religious organisations and believers may maintain their relations with religious organisations and believers elsewhere, and schools, hospitals and welfare institutions run by religious organisations may be continued. The relationship between religious organisations in the Hong Kong Special Administrative Region and those in other parts of the People's Republic of China shall be based on the principles of non-subordination, non-interference and mutual respect.

The provisions of the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights as applied to Hong Kong shall remain in force.

XIV

The following categories of persons shall have the right of abode in the Hong Kong Special Administrative Region, and, in accordance with the law of the Hong Kong Special Administrative Region, be qualified to obtain permanent identity cards issued by the Hong Kong Special Administrative Region Government, which state their right of abode:

- all Chinese nationals who were born or who have ordinarily resided in Hong Kong before or after the establishment of the Hong Kong Special Administrative Region for a continuous period of 7 years or more, and persons of Chinese nationality born outside Hong Kong of such Chinese nationals;

—all other persons who have ordinarily resided in Hong Kong before or after the establishment of the Hong Kong Special Administrative Region for a continuous period of 7 years or more and who have taken Hong Kong as their place of permanent residence before or after the establishment of the Hong Kong Special Administrative Region, and persons under 21 years of age who were born of such persons in Hong Kong before or after the establishment of the Hong Kong Special Administrative Region;

—any other persons who had the right of abode only in Hong Kong before the establishment of the Hong Kong Special Administrative Region.

The Central People's Government shall authorise the Hong Kong Special Administrative Region Government to issue, in accordance with the law, passports of the Hong Kong Special Administrative Region of the People's Republic of China to all Chinese nationals who hold permanent identity cards of the Hong Kong Special Administrative Region, and travel documents of the Hong Kong Special Administrative Region of the People's Republic of China to all other persons lawfully residing in the Hong Kong Special Administrative Region. The above passports and documents shall be valid for all states and regions and shall record the holder's right to return to the Hong Kong Special Administrative Region.

For the purpose of travelling to and from the Hong Kong Special Administrative Region, residents of the Hong Kong Special Administrative Region may use travel documents issued by the Hong Kong Special Administrative Region Government, or by other competent authorities of the People's Republic of China, or of other states. Holders of permanent identity cards of the Hong Kong Special Administrative Region may have this fact stated in their travel documents as evidence that the holders have the right of abode in the Hong Kong Special Administrative Region.

Entry into the Hong Kong Special Administrative Region of persons from other parts of China shall continue to be regulated in accordance with the present practice.

The Hong Kong Special Administrative Region Government may apply immigration controls on entry, stay in and departure from the Hong Kong Special Administrative Region by persons from foreign states and regions.

Unless restrained by law, holders of valid travel documents shall be free to leave the Hong Kong Special Administrative Region without special authorisation.

The Central People's Government shall assist or authorise the Hong Kong Special Administrative Region Government to conclude visa abolition agreements with states or regions.

ANNEX II

SINO-BRITISH JOINT LIAISON GROUP

1. In furtherance of their common aim and in order to ensure a smooth transfer of government in 1997, the Government of the United Kingdom and the Government of the People's Republic of China have agreed to continue their discussions in a friendly spirit and to develop the cooperative relationship which already exists between the two Governments over Hong Kong with a view to the effective implementation of the Joint Declaration.

2. In order to meet the requirements for liaison, consultation and the exchange of information, the two Governments have agreed to set up a Joint Liaison Group.

3. The functions of the Joint Liaison Group shall be:

- (a) to conduct consultations on the implementation of the Joint Declaration;
- (b) to discuss matters relating to the smooth transfer of government in 1997;
- (c) to exchange information and conduct consultations on such subjects as may be agreed by the two sides.

Matters on which there is disagreement in the Joint Liaison Group shall be referred to the two Governments for solution through consultations.

4. Matters for consideration during the first half of the period between the establishment of the Joint Liaison Group and 1 July 1997 shall include:

- (a) action to be taken by the two Governments to enable the Hong Kong Special Administrative Region to maintain its economic relations as a separate customs territory, and in particular to ensure the maintenance of Hong Kong's participation in the General Agreement on Tariffs and Trade, the Multifibre Arrangement and other international arrangements; and
- (b) action to be taken by the two Governments to ensure the continued application of international rights and obligations affecting Hong Kong.

5. The two Governments have agreed that in the second half of the period between the establishment of the Joint Liaison Group and 1 July 1997 there will be need for closer cooperation, which will therefore be intensified during that period. Matters for consideration during this second period shall include:

- (a) procedures to be adopted for the smooth transition in 1997;
- (b) action to assist the Hong Kong Special Administrative Region to maintain and develop economic and cultural relations and conclude agreements on these matters with states, regions and relevant international organizations.

6. The Joint Liaison Group shall be an organ for liaison and not an organ of power. It shall play no part in the administration of Hong Kong or the Hong Kong Special Administrative Region. Nor shall it have any

supervisory role over that administration. The members and supporting staff of the Joint Liaison Group shall only conduct activities within the scope of the functions of the Joint Liaison Group.

7. Each side shall designate a senior representative, who shall be of Ambassadorial rank, and four other members of the group. Each side may send up to 20 supporting staff.

8. The Joint Liaison Group shall be established on the entry into force of the Joint Declaration. From 1 July 1988 the Joint Liaison Group shall have its principal base in Hong Kong. The Joint Liaison Group shall continue its work until 1 January 2000.

9. The Joint Liaison Group shall meet in Beijing, London and Hong Kong. It shall meet at least once in each of the three locations in each year. The venue for each meeting shall be agreed between the two sides.

10. Members of the Joint Liaison Group shall enjoy diplomatic privileges and immunities as appropriate when in the three locations. Proceedings of the Joint Liaison Group shall remain confidential unless otherwise agreed between the two sides.

11. The Joint Liaison Group may by agreement between the two sides decide to set up specialist sub-groups to deal with particular subjects requiring expert assistance.

12. Meetings of the Joint Liaison Group and sub-groups may be attended by experts other than the members of the Joint Liaison Group. Each side shall determine the composition of its delegation to particular meetings of the Joint Liaison Group or sub-group in accordance with the subjects to be discussed and the venue chosen.

13. The working procedures of the Joint Liaison Group shall be discussed and decided upon by the two sides within the guidelines laid down in this Annex.

ANNEX III

LAND LEASES

The Government of the United Kingdom and the Government of the People's Republic of China have agreed that, with effect from the entry into force of the Joint Declaration, land leases in Hong Kong and other related matters shall be dealt with in accordance with the following provisions:

1. All leases of land granted or decided upon before the entry into force of the Joint Declaration and those granted thereafter in accordance with paragraph 2 or 3 of this Annex, and which extend beyond 30 June 1977, and all rights in relation to such leases shall continue to be recognised and protected under the law of the Hong Kong Special Administrative Region.

2. All leases of land granted by the British Hong Kong Government not containing a right of renewal that expire before 30 June 1997, except short term tenancies and leases for special purposes, may be extended if the lessee so wishes for a period expiring not later than 30 June 2047 without payment of an additional premium. An annual rent shall be charged from the date of extension equivalent to 3 per cent of the rateable value of the property at that date, adjusted in step with any changes in the rateable value thereafter. In the case of old schedule lots, village lots, small houses and similar rural holdings, where the property was on 30 June 1984 held by, or, in the case of small houses granted after that date, the property is granted to, a person descended through the male line from a person who was in 1898 a resident of an established village in Hong Kong, the rent shall remain unchanged so long as the property is held by that person or by one of his lawful successors in the male line. Where leases of land not having a right of renewal expire after 30 June 1997, they shall be dealt with in accordance with the relevant land laws and policies of the Hong Kong Special Administrative Region.

3. From the entry into force of the Joint Declaration until 30 June 1997, new leases of land may be granted by the British Hong Kong Government for terms expiring not later than 30 June 2047. Such leases shall be granted at a premium and nominal rental until 30 June 1997, after which date they shall not require payment of an additional premium but an annual rent equivalent to 3 per cent of the rateable value of the property at that date, adjusted in step with changes in the rateable value thereafter, shall be charged.

4. The total amount of new land to be granted under paragraph 3 of this Annex shall be limited to 50 hectares a year (excluding land to be granted to the Hong Kong Housing Authority for public rental housing) from the entry into force of the Joint Declaration until 30 June 1997.

5. Modifications of the conditions specified in leases granted by the British Hong Kong Government may continue to be granted before 1 July 1997 at a premium equivalent to the difference between the value of the land under the previous conditions and its value under the modified conditions.

6. From the entry into force of the Joint Declaration until 30 June 1997, premium income obtained by the British Hong Kong Government from land transactions shall, after deduction of the average cost of land production, be shared equally between the British Hong Kong Government and the future Hong Kong Special Administrative Region Government. All the income obtained by the British Hong Kong Government, including the amount of the above mentioned deduction, shall be put into the Capital Works Reserve Fund for the financing of land development and public works in Hong Kong. The Hong Kong Special Administrative Region Government's share of the premium income shall be deposited in banks incorporated in Hong Kong and shall not be drawn on except for the financing of land development and public works in Hong Kong in accordance with the provisions of paragraph 7(d) of this Annex.

7. A Land Commission shall be established in Hong Kong immediately upon the entry into force of the Joint Declaration. The Land Commission shall be composed of an equal number of officials designated respectively by the Government of the United Kingdom and the Government of the People's Republic of China together with necessary supporting staff. The officials of the two sides shall be responsible to their respective governments. The Land Commission shall be dissolved on 30 June 1997.

The terms of reference of the Land Commission shall be :

- (a) to conduct consultations on the implementation of this Annex;
- (b) to monitor observance of the limit specified in paragraph 4 of this Annex, the amount of land granted to the Hong Kong Housing Authority for public rental housing, and the division and use of premium income referred to in paragraph 6 of this Annex;
- (c) to consider and decide on proposals from the British Hong Kong Government for increasing the limit referred to in paragraph 4 of this Annex;
- (d) to examine proposals for drawing on the Hong Kong Special Administrative Region Government's share of premium income referred to in paragraph 6 of this Annex and to make recommendations to the Chinese side for decision.

Matters on which there is disagreement in the Land Commission shall be referred to the Government of the United Kingdom and the Government of the People's Republic of China for decision.

8. Specific details regarding the establishment of the Land Commission shall be finalised separately by the two sides through consultations.

EXCHANGE OF MEMORANDA

(a) UNITED KINGDOM MEMORANDUM

MEMORANDUM

In connection with the Joint Declaration of the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the People's Republic of China on the question of Hong Kong to be signed this day, the Government of the United Kingdom declares that, subject to the completion of the necessary amendments to the relevant United Kingdom legislation:

- (a) All persons who on 30 June 1997 are, by virtue of a connection with Hong Kong, British Dependent Territories citizens (BDTCs) under the law in force in the United Kingdom will cease to be BDTCs with effect from 1 July 1997, but will be eligible to retain an appropriate status which, without conferring the right of abode in the United Kingdom, will entitle them to continue to use passports issued by the Government of the United Kingdom. This status will be acquired by such persons only if they hold or are included in such a British passport issued before 1 July 1997, except that eligible persons born on or after 1 January 1997 but before 1 July 1997 may obtain or be included in such a passport up to 31 December 1997.
- (b) No person will acquire BDTC status on or after 1 July 1997 by virtue of a connection with Hong Kong. No person born on or after 1 July 1997 will acquire the status referred to as being appropriate in sub-paragraph (a).
- (c) United Kingdom consular officials in the Hong Kong Special Administrative Region and elsewhere may renew and replace passports of persons mentioned in sub-paragraph (a) and may also issue them to persons, born before 1 July 1997 of such persons, who had previously been included in the passport of their parent.
- (d) Those who have obtained or been included in passports issued by the Government of the United Kingdom under sub-paragraphs (a) and (c) will be entitled to receive, upon request, British consular services and protection when in third countries.

Beijing, 1984.

(b) CHINESE MEMORANDUM

MEMORANDUM

Translation

The Government of the People's Republic of China has received the memorandum from the Government of the United Kingdom of Great Britain and Northern Ireland dated 1984.

Under the Nationality Law of the People's Republic of China, all Hong Kong Chinese compatriots, whether they are holders of the "British Dependent Territories citizens' Passport" or not, are Chinese nationals.

Taking account of the historical background of Hong Kong and its realities, the competent authorities of the Government of the People's Republic of China will, with effect from 1 July 1997, permit Chinese nationals in Hong Kong who were previously called "British Dependent Territories citizens" to use travel documents issued by the Government of the United Kingdom for the purpose of travelling to other states and regions.

The above Chinese nationals will not be entitled to British consular protection in the Hong Kong Special Administrative Region and other parts of the People's Republic of China on account of their holding the above-mentioned British travel documents.

Beijing, 1984.

EXPLANATORY NOTES

Introduction

1. The following notes are intended to explain the material in the Annexes to the Joint Declaration and in the associated Exchange of Memoranda. They do not seek to be a comprehensive guide and do not include every point in the texts. They are designed to explain in simple terms, and to illustrate where appropriate, how the Annexes provide for the continuation of the essentials of Hong Kong's systems. Hong Kong is a highly developed industrial, commercial and financial centre and as such is a complex place. The Hong Kong Government, in consultation with Her Majesty's Government, are taking steps to ensure that further guidance and answers to detailed questions will be provided as may be necessary and appropriate.

Annex I: Elaboration by the Government of the People's Republic of China of its basic policies regarding Hong Kong

Section I: Constitutional Arrangements and Government Structure

2. When the People's Republic of China resumes the exercise of sovereignty over Hong Kong on 1 July 1997, Hong Kong will become a Special Administrative Region (SAR) of the People's Republic of China with a high degree of autonomy. A Basic Law to be enacted by the National People's Congress of the People's Republic of China will become the constitutional instrument for the Hong Kong SAR. The Letters Patent and the Royal Instructions, which have hitherto performed this function, will be revoked. As paragraph 3(12) of the Joint Declaration makes clear, the basic policies of the People's Republic of China as set out in the Joint Declaration and elaborated in this Annex will all be stipulated in the Basic Law.

3. This section of the Annex makes clear the important point that the Basic Law will stipulate that the socialist system and socialist policies practised in the rest of the People's Republic of China will not be extended to the Hong Kong SAR and that Hong Kong's capitalist system and lifestyle will remain unchanged for 50 years after the establishment of the SAR.

4. The Annex also states that, except in relation to foreign and defence affairs, which are now the overall responsibility of Her Majesty's Government, and will with effect from 1 July 1997 become the overall responsibility of the Central People's Government of the People's Republic of China, the Hong Kong SAR will enjoy a high degree of autonomy, including executive, legislative and independent judicial power. The SAR will also have authority to conduct its own external affairs in appropriate areas (including those relating to economic, trade, financial and monetary, shipping, communications, touristic, cultural and sporting matters) as amplified in section XI of this Annex, which deals with external relations. The SAR will enjoy a significant degree of autonomy in the maintenance and development of its air transport system as set out in section IX of this Annex, which deals with civil aviation.

5. The section of the Annex which deals with constitutional arrangements and government structure provides that the Hong Kong SAR will be under the direct authority of the Central People's Government. The SAR will therefore not be under the authority of any provincial government.

6. This section of the Annex lays down the main elements of the structure of government in the Hong Kong SAR. It also states that the Government and legislature of the SAR will be composed of local inhabitants. The chief executive will be selected by election or through consultations held locally and be appointed by the Central People's Government. Officials of the rank equivalent to Secretaries will be nominated by the chief executive and appointed by the Central People's Government. The legislature will be elected.

7. Furthermore the Annex indicates that the executive authorities will be required to act in accordance with the law and will be accountable to the legislature: that both Chinese and English languages may be used in government and in the courts: and that, apart from the national flag and national emblem of the People's Republic of China, the SAR may use a regional flag and emblem of its own.

Section II: The Laws

8. This section of the Annex, which describes how the Hong Kong SAR will have its own system of laws, provides continuity of Hong Kong law beyond 1997. The law of the SAR will include the common law and laws passed by the legislature of the SAR. It will remain, as now, capable of adapting to changing conditions and will be free to take account of developments in the common law elsewhere. That this is so is reinforced by specific provisions in section III of this Annex providing that the courts of the SAR will be able to refer to precedents in other common law jurisdictions, that judges of the SAR may be recruited from other common law jurisdictions and that the SAR's court of final appeal may invite judges from other common law jurisdictions to sit on it.

9. Hong Kong laws and those enacted after 1 July 1997 by the legislature of the Hong Kong SAR will be valid unless they contravene the Basic Law. The policies stated in the Joint Declaration and in this Annex will be stipulated in the Basic Law.

10. Laws enacted in the Hong Kong SAR will, as now, have to be passed by the legislature, or under its authority in the form of delegated legislation. Such laws may amend the laws of Hong Kong carried over in 1997 so long as the provisions of the Basic Law are not transgressed. After enactment, laws will have to be reported to the Standing Committee of the National People's Congress of the People's Republic of China for the record.

Section III: The Judicial System

11. The courts of Hong Kong consist of the Supreme Court, the District Courts, the Magistrates' Courts, and various statutory tribunals. The courts are at the heart of Hong Kong's legal system, which plays an important rôle in maintaining the stability and prosperity of Hong Kong. The Annex contains the very important provision for continuity of the judicial system.

12. The Annex indicates that the main change in the judicial system which will take place is the abolition of the system of appeal to the Privy Council and the substitution of arrangements for the final adjudication of disputes by a court of the Hong Kong SAR.

13. The independent exercise of judicial power and the obligation of the courts to decide cases in accordance with the law are both provided for in this section of the Annex. It also provides that the appointment of judges in the Hong Kong SAR will be subject to the recommendation of an independent commission similar to the existing Judicial Service Commission. The independence of the judiciary is protected by the provisions that judges of the SAR may only be removed from office on the grounds of inability or misbehaviour, and then only on the recommendation of a tribunal of judges of the SAR.

14. The Annex provides that the essentials of the system of appointment and removal of judges will remain unchanged, but the appointment and removal of judges of the highest rank will require the endorsement of the legislature of the Hong Kong SAR and have to be reported for the record to the Standing Committee of the National People's Congress.

15. At present the decision whether or not to prosecute in any particular case is the responsibility of the Attorney General. That responsibility is exercised independently free from government interference. The Annex provides that the responsibility will continue to be exercised in the SAR in the same independent way.

16. The Annex provides that local lawyers and also lawyers from outside Hong Kong, who contribute greatly both to the strength of the present legal system and to the success of Hong Kong as a commercial and financial centre, will continue to be able to practise law in Hong Kong. Provision is also made to enable arrangements to be continued whereby, for example, judgments obtained in Hong Kong may be enforced in foreign states, and evidence may be obtained overseas for use in proceedings in Hong Kong.

Section IV: The Public Service

17. This section of the Annex provides for the continuation in Hong Kong of an impartial, stable and effective public service. This is an essential factor in ensuring Hong Kong's future stability and prosperity.

18. Under the provisions of this section of the Annex serving officers will be able to continue in employment with the Hong Kong SAR Government on terms and conditions, including pay and pensions, no less favourable than before 1 July 1997. Special commissions dealing with pay and conditions of service will be retained. In addition, appointments and promotions will be made on the recommendations of a public service commission and on the basis of qualifications, experience and ability.

19. The Annex states that the Hong Kong SAR may employ foreign nationals in a number of capacities, namely as public officers (except at the highest levels), as advisers and in professional and technical posts.

20. It is explicitly provided that all pensions and other benefits due to those officers leaving the public service before or after 1 July 1997 or to their dependants will be paid by the Hong Kong SAR Government.

Section V: The Financial System

21. This section of the Annex provides for continuity in that the Government of the Hong Kong SAR will determine its own fiscal policy and manage and dispose of its financial resources, in accordance with Hong Kong's own needs. There will be no requirement to remit revenue to the Central People's Government. The Annex also makes clear that the predominant authority of the legislature in financial matters, and the system for independent and impartial audit of public accounts, will continue unchanged.

Section VI: The Economic System and External Economic Relations

22. The Annex deals together with these two subjects, which are both important for Hong Kong's export-oriented economy. Hong Kong's prosperity is heavily dependent on securing continued access to its principal export markets in the developed world. This section of the Annex provides reassurance both to the community at large in Hong Kong and to its trading partners that the basis for Hong Kong's flourishing free market economy will continue. It also ensures that Hong Kong's distinct position within the international trading community, on the basis of which Hong Kong enjoys its present rights of access, will continue.

23. The Annex provides for:

- (a) Hong Kong's right to continue to determine its economic policies, including trade policy, in accordance with its own needs;
- (b) The continuation of the free enterprise system, the free trade policies and the free port, which are the essentials of Hong Kong's consistent and successful economic policies;
- (c) The continuation of individual rights and freedoms in economic matters, notably the freedoms of choice of occupation, of travel and of movement of capital, and the rights of individuals and companies to own and dispose of property.

All these essential requirements are met in this section of the Annex, read in conjunction with the appropriate paragraphs of Section XIII, which deals with rights and freedoms. The right of the future Hong Kong SAR to decide its own economic policies is an essential part of the "one country, two systems" concept.

24. Hong Kong's participation in the General Agreement on Tariffs and Trade (GATT), through which it enjoys most favoured nation treatment in its major markets, has been an important element in its success as an exporter. Even in textiles and clothing, where the free trade principles of the GATT have been modified by the Multi-Fibre Arrangement (MFA) which is a negotiated derogation from the normal GATT rules, Hong Kong is able to develop its trade within the MFA and the bilateral agreements negotiated under its provisions. What is even more important, Hong Kong plays an active rôle in the GATT and the MFA. The continuation of

Hong Kong's participation in the GATT and the MFA (if the latter is extended beyond 1986, in which year it expires) is, therefore, of prime importance: and that too is provided in this section of the Annex.

Section VII: The Monetary System

25. A freely convertible currency and the right to manage the Exchange Fund, which provides the backing for the note issue and is used to regulate the exchange value of the currency, are the essential elements of Hong Kong's monetary system. This section of the Annex clearly stipulates that these essential elements shall be maintained.

26. This section of the Annex also provides for the continuation of the arrangements by which currency is issued locally by designated banks under statutory authority.

27. The changes to the designs of bank notes and coins provided for in this section are a logical consequence of the fact that Hong Kong will become a Special Administrative Region of the People's Republic of China on 1 July 1997.

Section VIII: Shipping

28. A major factor in Hong Kong's trading success is its well-developed deep water port and the capacity to handle cargoes by up to date methods. Hong Kong's position as a major shipping centre will be preserved by this section of the Annex, which provides that systems of shipping management and shipping regulation will continue. Private shipping businesses and shipping-related businesses, including container terminals, may continue to operate freely.

29. The Annex states that the Hong Kong SAR will have its own shipping register and will issue certificates in the name of "Hong Kong, China."

30. The Annex also provides that merchant shipping will have free access to the ports of Hong Kong under the laws of the SAR.

Section IX: Civil Aviation

31. This section of the Annex makes clear that Hong Kong will continue as a major centre of regional and international air services, and that airlines and civil aviation related businesses will be able to continue operating.

32. Under the provisions of the Annex the Central People's Government of the People's Republic of China will negotiate agreements concerning air services from and to other points in China through the Hong Kong SAR. However there is also a provision that in dealing with such arrangements the Central People's Government will consult the SAR Government, take its interests into account and include its representatives in delegations to air service consultations with foreign governments. By virtue of section XI of the Annex, which deals with external relations, such representatives may also be included in delegations to appropriate international organisations.

The Central People's Government will also consult the Hong Kong SAR Government about arrangements for air services between the SAR and other parts of China.

33. It is clearly provided that all scheduled air services touching the Hong Kong SAR which do not touch the mainland of China will be regulated by separate arrangements concluded by the SAR Government. For this purpose the SAR Government will be given specific authorisations from the Central People's Government to negotiate with foreign states and regions its own bilateral arrangements regulating air services. These will as far as possible maintain the rights previously enjoyed by Hong Kong. The SAR Government will also act under a general authority from the Central People's Government in negotiating all matters concerning the implementation of such bilateral arrangements and will issue its own operating permits for air services provided under these arrangements. The Annex also states that the SAR will have the authority to licence local airlines, to keep its own aircraft register, to conduct the technical supervision of civil aviation and to manage airports in the SAR. In addition the general provisions in section II of the Annex, which deals with the laws of the SAR, provide for continuity of previously existing civil aviation laws beyond 1997.

34. Hong Kong's civil aviation industry will thus be able to continue to make an important contribution to the effective functioning of Hong Kong's economy in terms of servicing the needs of both business and tourism.

Section X: Culture and Education

35. This section of the Annex makes clear that Hong Kong's own system of education will be continued and that it will operate separately and differently from that in other parts of China. Although most of the funds for education in Hong Kong are provided by the Government, many educational institutes were founded and are run by community and religious organisations. Explicit provision is made for this system to be maintained.

36. This section also provides for continuity in the application of present educational standards, in the use of teaching materials from overseas and in the freedom to pursue education outside Hong Kong. It therefore provides a sound basis for Hong Kong to continue to develop an educational system which will ensure that the population will have the skills and expertise required to enable Hong Kong to maintain and improve its position in the fiercely competitive economic and trading environment within which Hong Kong operates.

37. Hong Kong has come to enjoy a varied cultural and intellectual life. This and other sections of the Annex provide for the present unique mix of cultural and intellectual influences to continue. Provision is made in section XI of the Annex, which deals with external relations, for Hong Kong to continue to participate in international sporting events.

Section XI: External Relations

38. This section of the Annex provides that, subject to the principle that foreign affairs are the responsibility of the Central People's Government, the Hong Kong SAR will manage on its own certain aspects of its external

relations, in particular those in the economic field. This is particularly important, since Hong Kong's access to its principal overseas markets in the industrialised world, which is crucial to Hong Kong's industry, depends upon recognition of the separate nature of these interests.

39. In keeping with the general provisions for Hong Kong to be a Special Administrative Region under Chinese sovereignty, overall responsibility for foreign affairs will lie with the Central People's Government, just as overall responsibility for these matters at present lies with Her Majesty's Government in the United Kingdom. At the same time the Hong Kong SAR will be able, under the provisions of this section of the Annex, to look after its own particular interests in certain areas by virtue of the power to be given to it to conclude agreements in appropriate fields and to be represented in the delegation of the People's Republic of China at negotiations of direct concern to Hong Kong.

40. The detailed method by which the provisions of the second paragraph of this section of the Annex, which deals with the application to the Hong Kong SAR of international agreements, will be implemented will have to be worked out during the transitional period and will be one of the matters to be considered by the Joint Liaison Group. There is a very large number of international agreements which apply to Hong Kong and whose continued application following the establishment of the Hong Kong SAR will need to be secured. This will require consultation with third countries.

41. The Annex provides for continuity of representation by all foreign states and organisations currently represented in Hong Kong, subject to the approval of the Central People's Government. Changes to the status of such missions may be required in order to take account of the existence or otherwise of formal relations between the People's Republic of China and a particular state. The United Kingdom will be represented in Hong Kong by a Consul-General after 1 July 1997.

Section XII: Defence, Security and Public Order

42. With the establishment of the Hong Kong SAR, the British garrison will be withdrawn and the Central People's Government of the People's Republic of China will be responsible for the SAR's defence. This section of the Annex makes clear that the maintenance of public order in the SAR will be the SAR Government's responsibility. It is also stated that military forces sent by the Central People's Government to be stationed in the SAR for the purpose of defence will not interfere in its internal affairs, and that expenditure for these military forces will be borne by the Central People's Government.

Section XIII: Rights and Freedoms

43. This section of the Annex explains that basic rights and freedoms will be protected in the Hong Kong SAR. It covers this important subject without an extended description of the rights and freedoms concerned by providing:

- (a) that the rights and freedoms previously enjoyed under the laws of Hong Kong will be maintained by the SAR Government; and

(b) that the provisions of the International Covenants on Civil and Political Rights and on Economic, Social and Cultural Rights, as they apply to Hong Kong, will continue to apply to the Hong Kong SAR.

44. It is thus made clear that persons in the Hong Kong SAR will enjoy the same protection of the law against infringements of their basic rights as they did before the establishment of the SAR.

45. While not restricting the range of rights and freedoms the text mentions specifically some of the more important rights and freedoms presently enjoyed under the law.

46. The Covenants are too lengthy to reproduce here but they are public documents.¹ They apply to Hong Kong, with certain reservations, and, in accordance with this section of the Annex, will continue to do so after 30 June 1997. The Covenants were drafted by the United Nations Human Rights Commission and adopted by the United Nations General Assembly, and entered into force in 1976. They state a general consensus of nations on basic rights and identify in detail specific human rights and freedoms: including the right to work, to an adequate standard of living, to life and liberty, and freedom of expression, conscience, religion and association.

47. The reservations entered by the United Kingdom in respect of the application of the Covenants to Hong Kong, which are also public, took account of the realities of the social and economic conditions in Hong Kong: for example, in relation to Hong Kong the United Kingdom made reservations relating to immigration and to the deportation of aliens.

Section XIV: Right of Abode, Travel Documents and Immigration

48. This section concerns the right of abode in the Hong Kong SAR, the travel documents to be used by residents of the SAR, and immigration matters. It provides for a high degree of continuity in these areas consistent with the change in Hong Kong's status on 1 July 1997.

49. The first paragraph defines the categories of people who will have the right of abode (including the right to enter, re-enter, live and work) in the Hong Kong SAR. These include:

- (a) Chinese nationals who were born in Hong Kong or have lived there continuously for at least seven years;
- (b) Chinese nationals born outside Hong Kong to Chinese nationals who have the right of abode in Hong Kong;
- (c) all non-Chinese nationals who have lived in Hong Kong continuously for at least seven years and who have taken it as their place of permanent residence; and
- (d) any others who had the right of abode only in Hong Kong before 1 July 1997.

Non-Chinese nationals born in Hong Kong to parents who have the right of abode there also have the right of abode but will retain it after the age of 21 only if they have met the requirements of seven years' residence and of

¹ Treaty Series No. 6 (1977), Cmnd. 6702.

taking Hong Kong as their place of permanent residence. The SAR Government will issue permanent identity cards to all those with the right of abode in the SAR. These cards will state the holder's right of abode.

50. This section of the Annex states that Chinese nationals who have the right of abode in the Hong Kong SAR will be eligible for passports issued by the SAR Government. Other persons who have the right of abode, or are otherwise lawfully resident, in the SAR will be eligible for other travel documents issued by the SAR Government. Both these categories of persons may also use travel documents issued by the competent authorities of the People's Republic of China or by other governments to travel to and from the SAR: these include passports issued by the United Kingdom (see paragraphs 63 to 64 below).

51. The Annex makes clear that the right to leave the Hong Kong SAR for any purpose, *e.g.* business, study or emigration, will be maintained subject to the normal exceptions under the law. To facilitate entry by SAR residents into third countries, all travel documents issued to them will either include a reference to their right to return to the SAR or refer to the fact that they hold a permanent identity card as evidence of their right of abode in the SAR. The SAR Government will be assisted or authorised by the Central People's Government to conclude agreements with states or regions which provide for the mutual abolition of visa requirements.

Annex II: Terms of Reference of the Sino-British Joint Liaison Group

52. As the Secretary of State for Foreign and Commonwealth Affairs emphasised in his press conference in Hong Kong on 1 August 1984, it is fully agreed between Her Majesty's Government and the Chinese Government that Her Majesty's Government will remain responsible for the administration of Hong Kong until 30 June 1997. Nonetheless there will, of course, be a number of areas relating to the implementation of the Joint Declaration where further consultation between the two Governments will be required after the Joint Declaration has entered into force. One obvious example in the future is the arrangements for Hong Kong's continued participation in international agreements and organisations. Such consultation will be facilitated by the Sino-British Joint Liaison Group, whose rôle and functions are clearly defined in Annex II.

Annex III: Land Leases

53. This Annex takes account of the important part which land plays in the development and economy of Hong Kong.

54. It considers existing leases under two main categories: those which continue beyond 30 June 1997 and those which expire before that date. In the case of the first category (mainly 75 year leases renewable for 75 years, and 999 year leases) the rights in the leases are recognised by the Annex and will be recognised and protected under the law of the SAR after 1997. These rights include the right of renewal in the case of renewable leases, as well as rights granted by the leaseholder to other persons, *e.g.* sub-leases, mortgages and rights of way.

55. Leases which expire before 30 June 1997 (mainly New Territories leases and 75 year non-renewable leases in the urban area) may be extended without premium until 2047. A rent of 3 per cent of current rateable value will be charged from the date of extension, except in the case of village land held by indigenous villagers who will continue to pay a nominal rent.

56. New leases running until 2047 may be issued by the Hong Kong Government in the period up to 30 June 1997. These will continue to be issued under the existing system of land disposal (*i.e.* by public auction, tender or private treaty grant). A premium will be payable and a nominal rent will be charged up to 30 June 1997. After that date, no additional premium will be payable but the rent will increase to 3 per cent of current rateable value.

57. The concept of charging a rent on the basis of rateable values follows that used since 1973 to fix rents on the renewal of leases. It has, however, been agreed that the rent will be based on current rateable values (*i.e.* a rent which will change as rateable values change) rather than based, as at present, on a fixed reference point (*i.e.* a rent which is based on the rateable value at the date of renewal and which remains unchanged for the whole term of the lease).

58. The amount of new land which may be granted by the Hong Kong Government will be limited to 50 hectares a year. The limit does not include land granted to the Housing Authority for the construction of public rental housing.

59. Modifications of lease conditions will continue to be dealt with by the Hong Kong Government in accordance with existing practice.

60. In recognition of the fact that leases which extend beyond June 1997 derive part of their value from the post-June 1997 portion of their term, the Annex provides for net premium income to be shared between the Hong Kong Government and the future SAR Government.

61. A Land Commission, consisting of an equal number of officials appointed by Her Majesty's Government and the Chinese Government, will be set up. This Commission will monitor the implementation of the provisions in this Annex and will consider proposals for increasing the limit on the amount of new land which may be granted and for drawing on the SAR Government's share of premium income. It will not, however, consider individual land cases, nor will it be involved in deciding who should be issued with new leases. The Commission will be dissolved on 30 June 1997.

Associated Exchange of Memoranda

62. The status after 30 June 1997 of persons who are now British Dependent Territories citizens, and related issues, are covered in two Memoranda to be formally exchanged between the British and Chinese Governments on the same day as the signature of the Joint Declaration. These Memoranda set out the respective positions of the two Governments.

63. Since Hong Kong will no longer be a British Dependent Territory after 30 June 1997, it will not be appropriate for those who are British Dependent Territories citizens by virtue of a connection with Hong Kong to

be described as such after that date. The United Kingdom Government will seek Parliamentary approval for legislation which will give such British Dependent Territories citizens the right to a new status, with an appropriate title. This status will not give them the right of abode in the United Kingdom, which they do not possess at present, but it will carry benefits similar to those enjoyed by British Dependent Territories citizens at present, including the entitlement to use British passports and to receive British consular services and protection in third countries. The status will not, however, be transmissible by descent. The United Kingdom Government will do all they can to secure for holders of these British passports the same access to other countries as that enjoyed at present by holders of British Dependent Territories citizen passports.

64. This new status will be acquired by former Hong Kong British Dependent Territories citizens only if they obtain a British passport before 1 July 1997. The only exceptions to this are:

- (a) persons included in the passport of a parent before 1 July 1997 will be able to acquire this new status and will be able to obtain a British passport of their own after that date;
- (b) persons who were born between 1 January and 30 June 1997 will be able to acquire this new status if they obtain a British passport, or are included in the passport of a parent, on or before 31 December 1997. Those who are included in the passport of a parent will be able to obtain a British passport of their own after that date.

65. The Chinese Memorandum states the Chinese Government's position that Hong Kong Chinese are Chinese nationals. It indicates, however, that those Chinese nationals who hold British travel documents may continue to use them after 1 July 1997. Such persons will not, of course, be entitled to consular protection by the United Kingdom Government in the Hong Kong SAR or in other parts of China.

~~CONFIDENTIAL~~

NATIONAL SECURITY COUNCIL
SECRETARIAT

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FOR AIT/W ALSO FOR EAP/RA/TC

CINCPAC FOR POLAD

E.O. 12356: OADR

TAG: PREL, HK, UK, CH, TW

SUBJECT: ACADEMIA ASSESSES UK-PRC ACCORD

REF: (A) TAIPEI 3478, (B) HONG KONG 14538

1. CONFIDENTIAL - ENTIRE TEXT.

2. SUMMARY: AITOFF MET WITH PROMINENT COMMENTATOR PROFESSOR LU YA-LI AND DISCUSSED ACADEMIA'S REACTION TO THE SINO-BRITISH ACCORD OVER HONG KONG. MORE OPTIMISTIC THAN MANY OF HIS FELLOW PROFESSORS, LU OPINED THAT BEIJING FULLY INTENDS TO CARRY OUT THE TERMS OF THE ACCORD. HE AND HIS COLLEAGUES AGREE THAT THE ACCORD, IF SUCCESSFUL, WOULD UNDERCUT TAIWAN'S OBJECTIONS TO THE PRC'S "ONE STATE, TWO SYSTEMS" REUNIFICATION PLAN. TAIWAN, HE NOTED, IS NOT IN A POSITION TO LAMBAST THE SIGNATORIES' FOR IGNORING HONG KONG'S RIGHT TO SELF-DETERMINATION, SINCE THE SELF-DETERMINATION QUESTION IS A HOT POTATO AT HOME WITH NATIVE-BORN TAIWANESE. TAIPEI HAS LITTLE ROOM FOR MANEUVER AND THEREFORE, IS RESERVING THE WELCOME MAT FOR WEALTHY HONG KONG DENIZENS. END SUMMARY.

3. AITOFF MET WITH PROFESSOR LU YA-LI ON SEPTEMBER 27, 1984, TO DISCUSS, INTER ALIA, THE REACTION OF KUOMINTANG ACADEMICIANS TO THE UK-PRC ACCORD ON THE FUTURE OF HONG KONG. PROFESSOR LU, WHO IS A RESPECTED PRESS COMMENTATOR, NOTED THAT THE ACCORD POSES A CHALLENGE TO TAIWAN. IT PROVIDES THE PRC A PERFECT OPPORTUNITY TO PUT INTO PRACTICE THE PRC'S "ONE STATE, TWO SYSTEMS" REUNIFICATION PLAN. LU OPINED THAT THE BEIJING LEADERSHIP IS FULLY COMMITTED TO KEEPING WITHIN THE SPIRIT OF THE ACCORD. HE ARGUED THAT THEY ARE WELL AWARE OF INTERNATIONAL SENSITIVITIES OVER THE HONG KONG QUESTION--ESPECIALLY AS THEY PERTAIN TO THE REUNIFICATION ISSUE. FURTHERMORE, HE NOTED, MEMORIES OF THE DEVASTATION BROUGHT ON BY THE CULTURAL REVOLUTION SHOULD MAKE IT DIFFICULT FOR LEFTIST IDEOLOGUES TO RISE TO POSITIONS FROM WHICH THEY COULD UNDERMINE THE AGREEMENT. LU ADDED THAT

ONE SHOULD NOT UNDERESTIMATE THE FORMIDABLE ABILITY OF HONG KONG'S MIDDLE CLASS ENTREPRENEURS TO ADAPT AND PROSPER UNDER ADVERSE CONDITIONS.

4. LU COMMENTED THAT HE AND FELLOW ACADEMICIANS HAVE RECENTLY SPENT MANY AN HOUR PONDERING TAIWAN'S POLICY TOWARDS THE HONG KONG QUESTION. THEY CONCLUDE THAT TAIWAN HAS LITTLE IF ANY ROOM FOR MANEUVERING. LOGICALLY, TAIPEI SHOULD LAMBAST BOTH SIGNATORIES FOR FAILING TO RECOGNIZE THE PEOPLE OF HONG KONG'S RIGHT TO SELF-DETERMINATION. HOWEVER, SUCH A POLICY IS NOT FEASIBLE SINCE IT WOULD FUEL A SIMILAR HUE AND CRY AT HOME FROM NATIVE-BORN TAIWANESE. THEREFORE, HE SAID, TAIPEI IS LEFT CARPING ON THE SIDELINES FLOGGING THE UNLIKELY LINE THAT THE UK SHOULD NEGOTIATE HONG KONG'S FUTURE WITH TAIPEI. (COMMENT: FROM TAIPEI'S PERSPECTIVE, SINCE TAIWAN MAINTAINS IT HAS TRUE SOVEREIGNTY OVER HONG KONG, ITS HONG KONG POLICY IS QUITE LOGICAL. THE FACT REMAINS THAT IF TAIWAN WERE IN THE DRIVER'S SEAT, IT WOULD PAY AS LITTLE ATTENTION TO HONG KONG'S RIGHT TO SELF DETERMINATION AS DOES THE PRC. END COMMENT)

5. LOOKING DOWN THE ROAD, LU OBSERVED THAT TAIWAN WILL PUT OUT A VERY SELECTIVE WELCOME MAT FOR IMMIGRANTS FROM HONG KONG. JUDGING FROM HIS INFORMAL CONVERSATIONS WITH INDIVIDUALS GENERALLY CLOSE TO THE AUTHORITIES, ONLY THE WEALTHY NEED APPLY.

6. COMMENT: PROFESSOR LU IS A PROMINENT LIBERAL MEMBER OF THE KMT. HE IS, HOWEVER, IN TOUCH WITH

OPINIONMAKERS ACROSS THE POLITICAL SPECTRUM. NOT A FEW PROFESSORS AND POLITICIANS WOULD AGREE WITH HIS OBSERVATION THAT THE ACCORD, IF SUCCESSFUL, WOULD UNDERCUT TAIWAN'S OBJECTIONS TO THE PRC'S "ONE STATE, TWO SYSTEMS" REUNIFICATION PLAN. MOST WOULD NOT SHARE LU'S OPTIMISM CONCERNING THE ACCORD'S CHANCES OF SUCCESS. THE STANDARD ASSESSMENT IS THAT COMMUNISM AND CAPITALISM MIX LIKE OIL AND WATER. END COMMENT. THAYER
BT

DECLASSIFIED

NLRR M299 # 92653

BY KML NARA DATE 6/21/12

~~CONFIDENTIAL~~

Chro 32

MEMORANDUM

7311

NATIONAL SECURITY COUNCIL

ACTION

MEMORANDUM FOR ROBERT M. KIMMITT

FROM: DAVID N. LAUX

SUBJECT: House Bill (HR - 1236) for the Relief of
Andrew and Julia Lui

I see no objection to the bill described in the memo at Tab
I.

Gaston  and Dick Childress also concur.

RECOMMENDATION

That you sign the note at Tab I.

Attachment

Tab I Memo for signature

WHITE HOUSE STAFFING MEMORANDUM

DATE: 9/28/84 ACTION/CONCURRENCE/COMMENT DUE BY: 10/1/84

SUBJECT: H.R. 1236 - RELIEF OF ANDREW AND JULIA LUI

	ACTION FYI			ACTION FYI	
VICE PRESIDENT	<input type="checkbox"/>	<input type="checkbox"/>	MURPHY	<input type="checkbox"/>	<input type="checkbox"/>
MEESE	<input type="checkbox"/>	<input checked="" type="checkbox"/>	OGLESBY	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BAKER	<input type="checkbox"/>	<input checked="" type="checkbox"/>	ROGERS	<input type="checkbox"/>	<input type="checkbox"/>
DEAVER	<input type="checkbox"/>	<input checked="" type="checkbox"/>	SPEAKES	<input type="checkbox"/>	<input checked="" type="checkbox"/>
STOCKMAN	<input type="checkbox"/>	<input type="checkbox"/>	SVAHN	<input checked="" type="checkbox"/>	<input type="checkbox"/>
DARMAN	<input type="checkbox"/>	<input checked="" type="checkbox"/>	VERSTANDIG	<input checked="" type="checkbox"/>	<input type="checkbox"/>
FIELDING	<input checked="" type="checkbox"/>	<input type="checkbox"/>	WHITTLESEY	<input checked="" type="checkbox"/>	<input type="checkbox"/>
FULLER	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
HERRINGTON	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
HICKEY	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
McFARLANE	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
McMANUS	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

REMARKS:

Please provide any comments/recommendations by October 1st.

Thank you.

RESPONSE:

National Security Council concurs.

Robert M. Kimmitt

Executive Secretary

Richard G. Darman
Assistant to the President
Ext. 2702



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

104

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 1236 - Relief of Andrew and
Julia Lui
Sponsor - Rep. Frank (D) Massachusetts

Last Day for Action

October 8, 1982 - Monday

Purpose

To grant permanent residence status to Andrew and Julia Lui.

Agency Recommendations

Office of Management and Budget

Approval

Immigration and Naturalization Service
Department of State

No objection
No objection

Discussion

Andrew Lui is a 29 year old native of Hong Kong and citizen of the British Dependent Territories. He resides in Massachusetts with his 26 year old wife Julia, also a citizen of the British Dependent Territories, and their eleven month old child, a United States citizen. In December 1983, deportation proceedings were commenced against Mr. and Mrs. Lui because they had remained in the United States beyond the period of time authorized by their visa.

Mr. Lui has received degrees in management and chemical engineering from the Massachusetts Institute of Technology and is currently employed as a systems engineer by a computer firm in Cambridge, Massachusetts. While Mr. Lui may be eligible to receive certain immigrant visas based on his employment skills, he could have to wait six to eight years for a visa to be issued. Mr. and Mrs. Lui want to become permanent residents so that Mr. Lui can continue working with his current employer.

H.R. 1236, which passed both Houses by voice vote, provides that Andrew and Julia Lui be considered lawfully admitted to the United States for permanent residence as of the date of enactment of this bill, and upon the payment of the required visa fee.

James M. Frey
Assistant Director for
Legislative Reference

Enclosures

WHITE HOUSE STAFFING MEMORANDUM

DATE: 9/28/84

ACTION/CONCURRENCE/COMMENT DUE BY:

10/1/84

SUBJECT: H.R. 1236 - RELIEF OF ANDREW AND JULIA LUI

	ACTION FYI			ACTION FYI	
VICE PRESIDENT	<input type="checkbox"/>	<input type="checkbox"/>	MURPHY	<input type="checkbox"/>	<input type="checkbox"/>
MEESE	<input type="checkbox"/>	<input checked="" type="checkbox"/>	OGLESBY	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BAKER	<input type="checkbox"/>	<input checked="" type="checkbox"/>	ROGERS	<input type="checkbox"/>	<input type="checkbox"/>
DEAVER	<input type="checkbox"/>	<input checked="" type="checkbox"/>	SPEAKES	<input type="checkbox"/>	<input checked="" type="checkbox"/>
STOCKMAN	<input type="checkbox"/>	<input type="checkbox"/>	SVAHN	<input checked="" type="checkbox"/>	<input type="checkbox"/>
DARMAN	<input type="checkbox"/> P	<input checked="" type="checkbox"/> SS	VERSTANDIG	<input checked="" type="checkbox"/>	<input type="checkbox"/>
FIELDING	<input checked="" type="checkbox"/>	<input type="checkbox"/>	WHITTLESEY	<input checked="" type="checkbox"/>	<input type="checkbox"/>
FULLER	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
HERRINGTON	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
HICKEY	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
McFARLANE	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
McMANUS	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

REMARKS:

Please provide any comments/recommendations by October 1st.

Thank you.

RESPONSE:

National Security Council concurs.

Paul M. Thompson for
 Robert M. Kimmitt

Executive Secretary

Richard G. Darman
 Assistant to the President
 Ext. 2702



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

SEP 17 1984

MEMORANDUM FOR THE PRESIDENT

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 Sponsor - Rep. Frank (D) Massachusetts

Last Day for Action

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James M. Frey
Assistant Director for
Legislative Reference

Enclosures

NATIONAL SECURITY COUNCIL

ACTION

MEMORANDUM FOR ROBERT M. KIMMITT

FROM: DAVID N. LAUX

SUBJECT: House Bill (HR - 1236) for the Relief of
Andrew and Julia Lui

I see no objection to the bill described in the memo at Tab
I.

PC
Gaston *LS* Sigur and Dick Childress also concur.

RECOMMENDATION

That you sign the note at Tab I. *DL*

Attachment

Tab I Memo for signature